ŠIAULIŲ BANKAS

INDEPENDENT AUDITOR'S REPORT FINANCIAL STATEMENTS AND ANNUAL REPORT

31 December 2020

Tilžės 149, LT-76348 Šiauliai
Tel. (8 41) 595 607, fax (8 41) 430 774
E-mail info@sb.lt
www.sb.lt

CONTENTS

KPMG Baltics, UAB
Lvovo St. 101
LT-08104, Vilnius
Lithuania

Phone: +370 5 2102600
Fax: +370 5 2102659
E-mail: vilnius@kpmg.lt
Website: kpmg.com/lt

Independent Auditor's Report

To the Shareholders of Šiaulių Bankas AB

Report on the Audit of the Separate and Consolidated Financial Statements

Opinion

We have audited the separate financial statements of Šiaulių Bankas AB ("the Bank") and accompanying consolidated financial statements of the Bank and its subsidiaries ("the Group"). The Bank's separate and the Group's consolidated financial statements comprise:

- the separate and consolidated statement of financial position as at 31 December 2020,
- the separate and consolidated income statement and statement of comprehensive income for the year then ended,
- the separate and consolidated statement of changes in equity for the year then ended,
- the separate and consolidated statement of cash flows for the year then ended, and
- notes to the separate and consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the unconsolidated and consolidated financial position of the Bank and the Group as at 31 December 2020, and of their unconsolidated and consolidated financial performance and their unconsolidated and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Separate and Consolidated Financial Statements section of our report. We are independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Company code: 111494971
VAT code: LT114949716

Impairment of loans to customers and finance lease receivable (separate and consolidated financial statements)

The gross amount of loans to customers in the consolidated financial statements as at 31 December 2020: EUR 1,648 million; total allowances for impairment losses as at 31 December 2020: EUR 43 million; of which impairment losses on loans to customers recognised in 2020: EUR 11 million; the gross amount of finance lease receivables as at 31 December 2020: EUR 160 million; total allowances for impairment losses as at 31 December 2020: EUR 5 million; of which impairment losses on finance lease receivable recognised in 2020: EUR 1 million.

The gross amount of loans to customers in the separate financial statements as at 31 December 2020: EUR 1,630 million; total allowances for impairment losses as at 31 December 2020: EUR 38 million; of which impairment losses on loans recognised in 2020: EUR 10 million; the gross amount of finance lease receivables as at 31 December 2020: EUR 159 million; total allowances for impairment losses as at 31 December 2020: EUR 4 million; of which impairment losses on finance lease receivable recognised in 2020: EUR 1 million.

Refer to page 18 (Accounting policies) and Notes 13 Loans to customers and 14 Finance lease receivables.

The key audit matter	How the matter was addressed in our audit
Impairment allowances represent the Management Board's best estimate of the expected credit losses ("ECLs") within the loans to customers and finance lease receivables at the reporting date. We focused on this area as the determination of impairment allowances requires complex and subjective judgment from the Management Board over the amount of any such impairment. Impairment allowances for all performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) (together "collective impairment allowance") are determined by modelling techniques. Historical experience, identification of exposures with a significant deterioration in credit quality, forward- looking information and management judgment are incorporated into the model assumptions. For non-performing exposures (Stage 3), the impairment assessment is based on the Bank's and Group's knowledge and understanding of each individual borrower's circumstances and often on estimation of the realizable amount of the related collateral. Related impairment allowances are determined on an individual basis by means of a discounted cash flows valuation.	Our audit procedures in the area included, among others: • obtaining understanding of the Bank's and the Group's ECL impairment methodology and assessing its compliance with the relevant requirements of IFRS 9 standard. As part of the above, we identified the relevant methods, assumptions and sources of data, and assessed whether such methods, assumptions, data and their application are appropriate in the context of IFRS 9 requirements. Additionally, assisted by our own Financial Risk Management ("FRM") specialists, we have challenged the Management Board on whether the level of the methodology's sophistication is appropriately based on our assessment of the entity-level and portfolio-level factors; • obtaining an understanding of the Bank's retrospective review of its ECL estimates and its response to the results of the review, and performing our own independent back-test; • making relevant inquiries of the Bank's and Group's risk management and information technology (IT) personnel in order to obtain an understanding of the impairment allowances and provisioning process, IT applications used therein, key data sources and assumptions used in the ECL model. Assessing and testing the Bank's and Group's IT control environment for data security and access, assisted by our own IT specialists.

For the above reasons, coupled with the significantly higher estimation uncertainty stemming from the impact of the COVID-19 global pandemic on multiple sectors of the economy, impairment of loans to customers and finance lease receivables was considered by us to be a significant risk in our audit, which required our increased attention. Accordingly, we considered the area to be a key audit matter.	• testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of loans to customers and finance lease receivables, including, but not limited to, those over loan risk monitoring, identification of loss events / default, appropriateness of classification into performing and non-performing exposures, calculation of days past due and the overall ECL estimate; • assessing whether the definition of default and the staging criteria of the Standard were consistently applied; • evaluating whether in its loan staging and ECL measurement the Bank and the Group appropriately considered the effects of the market disruption resulting from the COVID-19 pandemic; — For collective impairment allowance: • obtaining the relevant forward looking information and macroeconomic forecasts used in the Bank's and the Group's ECL assessment. Independently assessing the information by means of inspection of publicly available information and corroborating inquiries of the Management Board ; • challenging the collective loss given default (LGD), exposure at default (EAD) and probability of default (PD) parameters used by the Bank and the Group, by reference to historical defaults and realized losses on those defaults, and also considering any required adjustments to reflect expected changes in circumstances; — For impairment allowances calculated individually, for a risk-based sample of loans: • critically assessing the existence of any triggers for classification to Stage 3 as at 31 December 2020, by reference to the underlying documentation (loan files) and through discussion with Management Board and taking into consideration business operations of the respective customers as well as market conditions and historical repayment pattern. • for the exposures with triggers for classification in Stage 3, challenging key assumptions applied in the Bank's and the Group's estimates of future cash flows such as discount rates, collateral values and realization period by reference to the original effective interest rate inspection, assessment of collateral values and reasonableness of the cash flow realization periods, and also performing respective independent estimations, where relevant.

	— For loan to customers and finance lease receivables exposures in totality: • Critically assessing the reasonableness of the impairment allowances, including both the share of the gross non-performing exposure in total gross exposure and the non-performing loans provision coverage, by benchmarking them against publicly available industry data; • Evaluating the accuracy and completeness of the loan impairment and credit risk-related disclosures in the financial statements by reference to the requirements of the applicable financial reporting framework.

Other matter

The separate and consolidated financial statements of the Bank and the Group for the year ended 31 December 2019, were audited by another auditor who expressed unmodified opinion on those separate and consolidated financial statements on 6 March 2020.

Other Information

The other information comprises the information included in the consolidated annual management report, including Bank's Corporate Governance and Remuneration report, but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate and consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the consolidated annual management report, including Bank's Corporate Governance and Remuneration report, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements and whether consolidated annual management report, including Bank's Corporate Governance and Remuneration report, has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of the separate and consolidated financial statements, in our opinion, in all material respects:

- The information given in the consolidated annual management report, including Bank's Corporate Governance and Remuneration report, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and

- The consolidated annual management report, including Bank's Corporate Governance and Remuneration report, has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania.

We also need to check that the Socially Responsible Activities Report has been provided. If we identify that Socially Responsible Activities Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Bank's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders' meeting we were appointed on 6 June 2020 for the first time to audit the Bank's and Group's financial statements. Our appointment to audit the Bank's and Group's financial statements is renewed every two years under decision of the general shareholders' meeting, and the total uninterrupted period of engagement is 1 year.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report presented to the Bank and Group and its Audit Committee together with this independent auditor's report.

We confirm that in light of our knowledge and belief, services provided to the Bank and Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In the course of audit, we have not provided any other services except for audit of separate and consolidated financial statements.

On behalf of KPMG Baltics, UAB

Domantas Dabulis
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
8 March 2021

FINANCIAL STATEMENTS

31 December 2020

Tilžės 149, LT-76348 Šiauliai
Tel. (8 41) 595 607, fax (8 41) 430 774
E-mail info@sb.lt
www.sb.lt

(All amounts are in EUR thousand, unless otherwise stated)

THE GROUP'S AND THE BANK'S INCOME STATEMENTS

		Year ended			
		31 December 2020		31 December 2019	
	Notes	Group	Bank	Group	Bank
Continuing operations					
Interest revenue calculated using the effective interest method	1	78,502	65,067	73,401	63,842
Other similar income	1	7,527	7,435	7,223	7,074
Interest expense and similar charges	1	(10,321)	(10,071)	(8,212)	(8,032)
Net interest income		**75,708**	**62,431**	**72,412**	**62,884**
Fee and commission income	2	22,613	23,014	22,791	23,222
Fee and commission expense	2	(6,568)	(6,327)	(6,077)	(5,909)
Net fee and commission income		**16,045**	**16,687**	**16,714**	**17,313**
Net gain from trading activities	3	11,589	12,018	15,013	11,245
Net gain (loss) from changes in fair value of subordinated loan	30	—	—	—	—
Net gain (loss) from derecognition of financial assets	6	1,265	384	2,442	1,184
Net gain (loss) from disposal of tangible assets	6	376	7	3,462	198
Revenue related to insurance activities	5	7,225	—	6,962	—
Other operating income	6	774	452	1,498	580
Salaries and related expenses		(23,470)	(20,506)	(22,842)	(19,607)
Depreciation and amortization expenses		(4,106)	(3,569)	(3,595)	(2,996)
Expenses related to insurance activities	5	(5,448)	—	(8,764)	—
Other operating expenses	4	(15,177)	(11,681)	(15,158)	(11,330)
Operating profit before impairment losses		**64,781**	**56,223**	**68,144**	**59,471**
Allowance for impairment losses on loans and finance lease receivables	7	(10,475)	(10,255)	(7,158)	(5,619)
(Allowance for)/ reversal of allowance for impairment losses on other assets	7	(1,498)	305	(1,234)	(558)
Allowance for impairment losses on investments in subsidiaries	7, 16	—	(114)	—	1,996
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	16	—	5,470	—	4,713
Profit from continuing operations before income tax		**52,808**	**51,629**	**59,752**	**60,003**
Income tax expense	8	(9,887)	(8,534)	(8,230)	(6,900)
Net profit from continuing operations for the year		**42,921**	**43,095**	**51,522**	**53,103**
Profit (loss) from discontinued operations, net of tax	19	121	—	—	—
Net profit for the year		**43,042**	**43,095**	**51,522**	**53,103**
Net profit attributable to:					
Owners of the Bank		43,042	43,095	51,522	53,103
From continuing operations		42,921	43,095	51,522	53,103
From discontinued operations		121	—	—	—
Non-controlling interest		—	—	—	—
Basic earnings per share (in EUR per share) attributable to owners of the Bank	9	0.07	—	0.09	—
From continuing operations		0.07	—	0.09	—
From discontinued operations		0.00	—	—	—
Diluted earnings per share (in EUR per share) attributable to owners of the Bank	9	0.07	—	0.09	—
From continuing operations		0.07	—	0.09	—
From discontinued operations		0.00	—	—	—

Chief Executive Officer — Vytautas Sinius

Chief accountant — Vita Urbonienė

8 March 2021

The accounting policies and notes on pages 17 to 129 constitute an integral part of these financial statements.

(All amounts are in EUR thousand, unless otherwise stated)

THE GROUP'S AND THE BANK'S STATEMENTS OF COMPREHENSIVE INCOME

		Year ended			
		31 December 2020		31 December 2019	
	Notes	Group	Bank	Group	Bank
Net profit for the year		43,042	43,095	51,522	53,103
Other comprehensive income (loss):					
Items that may be subsequently reclassified to profit or loss:					
Financial assets valuation gains (losses) taken to other comprehensive income	15	839	839	766	766
Financial assets valuation result transferred to profit or loss	15	(393)	(393)	(166)	(166)
Deferred income tax on gain (loss) from revaluation of financial assets	8, 15	(49)	(49)	(130)	(130)
Items that may not be subsequently reclassified to profit or loss:					
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		—	—	13	—
Other comprehensive income (loss), net of deferred tax		397	397	483	470
Total comprehensive income for the year		43,439	43,492	52,005	53,573
Total comprehensive income attributable to:					
Owners of the Bank		43,439	43,492	52,005	53,573
Non-controlling interest		—	—	—	—
		43,439	43,492	52,005	53,573

Chief Executive Officer — Vytautas Sinius

Chief accountant — Vita Urbonienė

8 March 2021

The accounting policies and notes on pages 17 to 129 constitute an integral part of these financial statements.

(All amounts are in EUR thousand, unless otherwise stated)

THE GROUP'S AND THE BANK'S STATEMENTS OF FINANCIAL POSITION

		31 December 2020		31 December 2019	
	Notes	Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents	10	432,584	431,649	184,917	181,582
Securities in the trading book	12	37,068	9,582	40,427	15,354
Due from other banks	11	1,598	1,598	280	280
Derivative financial instruments	12	445	445	986	986
Loans to customers	13	1,605,663	1,592,363	1,514,578	1,510,052
Finance lease receivables	14	155,457	155,290	157,597	157,540
Investment securities at fair value	15	34,342	34,215	14,059	9,491
Investment securities at amortized cost	15	709,454	697,136	545,849	535,479
Investments in subsidiaries and associates	16	—	29,135	—	31,491
Intangible assets	17	5,729	4,230	4,288	2,921
Property, plant and equipment	18	16,484	15,852	12,216	11,170
Investment property	26	5,552	362	7,570	367
Current income tax prepayment		48	8	44	—
Deferred income tax asset	8	2,078	1,690	1,419	831
Inventories	19	1,391	—	8,780	—
Other financial assets	19	4,695	4,278	7,875	7,229
Other non-financial assets	19	8,710	5,263	6,297	4,041
Assets classified as held for sale	19	7,547	4,573	1,004	1,004
Total assets		3,028,845	2,987,669	2,508,186	2,469,818
LIABILITIES					
Due to other banks and financial institutions	20	227,823	231,270	74,395	76,674
Derivative financial instruments	12	3,840	3,840	945	945
Due to customers	21	2,347,427	2,349,021	2,033,649	2,036,674
Special and lending funds	22	5,749	5,749	7,060	7,060
Debt securities in issue	23	20,027	20,027	20,044	20,044
Current income tax liabilities		1,092	737	1,579	1,472
Deferred income tax liabilities	8	1,251	—	917	—
Liabilities related to insurance activities	24	36,275	—	33,497	—
Other financial liabilities	25	24,231	20,337	18,128	13,817
Other non-financial liabilities	25	5,966	1,124	7,168	1,781
Liabilities related to assets classified as held for sale	25	98	—	—	—
Total liabilities		2,673,779	2,632,105	2,197,382	2,158,467
EQUITY					
Share capital	27	174,211	174,211	174,211	174,211
Share premium	27	3,428	3,428	3,428	3,428
Reserve capital	27	756	756	756	756
Statutory reserve	27	14,427	14,246	14,468	14,246
Financial instruments revaluation reserve		388	375	(9)	(22)
Reserve for acquisition of own shares	27	10,000	10,000	10,000	10,000
Other equity	27	2,359	2,066	1,536	1,345
Retained earnings		149,497	150,482	106,414	107,387
Non-controlling interest		—	—	—	—
Total equity		355,066	355,564	310,804	311,351
Total liabilities and equity		3,028,845	2,987,669	2,508,186	2,469,818

Chief Executive Officer — Vytautas Sinius

Chief accountant — Vita Urbonienė

8 March 2021

The accounting policies and notes on pages 17 to 129 constitute an integral part of these financial statements.

(All amounts are in EUR thousand, unless otherwise stated)

THE GROUP'S STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total	Non-controlling interest	Total equity
		Atributable to the owners of the Bank										
1 January 2019		174,211	3,428	756	(492)	10,369	—	—	86,412	274,684	—	274,684
Transfer to statutory reserve		—	—	—	—	4,099	—	—	(4,099)	—	—	—
Transfer to reserve for acquisition of own shares	27	—	—	—	—	—	10,000	—	(10,000)	—	—	—
Acquisition of own shares	27	—	—	—	—	—	(618)	—	—	(618)	—	(618)
Share-based payment	27	—	—	—	—	—	618	1,536	—	2,154	—	2,154
Payment of dividends	29	—	—	—	—	—	—	—	(17,421)	(17,421)	—	(17,421)
Total comprehensive income:		—	—	—	483	—	—	—	51,522	52,005	—	52,005
Net profit		—	—	—	—	—	—	—	*51,522*	*51,522*	—	*51,522*
Other comprehensive income		—	—	—	*483*	—	—	—	—	*483*	—	*483*
31 December 2019		174,211	3,428	756	(9)	14,468	10,000	1,536	106,414	310,804	—	310,804
Transfer to statutory reserve		—	—	—	—	(41)	—	—	41	—	—	—
Acquisition of own shares	27	—	—	—	—	—	(320)	—	—	(320)	—	(320)
Share-based payment	27	—	—	—	—	—	320	823	—	1,143	—	1,143
Total comprehensive income:		—	—	—	397	—	—	—	43,042	43,439	—	43,439
Net profit		—	—	—	—	—	—	—	*43,042*	*43,042*	—	*43,042*
Other comprehensive income		—	—	—	*397*	—	—	—		*397*	—	*397*
31 December 2020		174,211	3,428	756	388	14,427	10,000	2,359	149,497	355,066	—	355,066

The accounting policies and notes on pages 17 to 129 constitute an integral part of these financial statements.

(All amounts are in EUR thousand, unless otherwise stated)

THE BANK'S STATEMENT OF CHANGES IN EQUITY

	Notes	*Share capital*	*Share premium*	*Reserve capital*	*Financial instruments revaluation reserve*	*Statutory reserve*	*Reserve for acquisition of own shares*	*Other equity*	*Retained earnings*	***Total***
1 January 2019		174,211	3,428	756	(492)	10,195	—	—	85,756	273,854
Transfer to statutory reserve		—	—	—	—	4,051	—	—	(4,051)	—
Transfer to reserve for acquisition of own shares	27	—	—	—	—	—	10,000	—	(10,000)	—
Acquisition of own shares	27	—	—	—	—	—	(618)	—	—	(618)
Share-based payment	27	—	—	—	—	—	618	1,345	—	1,963
Payment of dividends	29	—	—	—	—	—	—	—	(17,421)	(17,421)
Total comprehensive income:		—	—	—	470	—	—	—	53,103	53,573
Net profit		—	—	—	—	—	—	—	*53,103*	*53,103*
Other comprehensive income		—	—	—	*470*	—	—	—	—	*470*
31 December 2019		174,211	3,428	756	(22)	14,246	10,000	1,345	107,387	311,351
Acquisition of own shares	27	—	—	—	—	—	(320)	—	—	(320)
Share-based payment	27	—	—	—	—	—	320	721	—	1,041
Total comprehensive income:		—	—		397	—	—	—	43,095	43,492
Net profit		—	—	—	—	—	—	—	*43,095*	*43,095*
Other comprehensive income		—	—	—	*397*	—	—	—	—	*397*
31 December 2020		174,211	3,428	756	375	14,246	10,000	2,066	150,482	355,564

The accounting policies and notes on pages 17 to 129 constitute an integral part of these financial statements.

(All amounts are in EUR thousand, unless otherwise stated)

THE GROUP'S AND THE BANK'S STATEMENTS OF CASH FLOWS

		Year ended			
		31 December 2020		31 December 2019	
	Notes	Group	Bank	Group	Bank
Operating activities					
Interest received on loans and advances		81,714	67,625	65,043	55,527
Interest received on finance leases		7,137	7,123	6,907	6,871
Interest received on debt securities in the trading book		463	463	1,035	960
Interest paid		(3,392)	(3,133)	(7,233)	(7,053)
Fees and commissions received		22,578	23,014	22,701	23,131
Fees and commissions paid		(6,379)	(6,327)	(6,032)	(5,864)
Net cash inflows from trade in securities in the trading book		1,555	3,273	37,464	28,890
Net inflows from foreign exchange trading		13,619	11,843	8,005	7,940
Net inflows from derecognition of financial assets		1,265	384	2,442	1,184
Net inflows from disposal of tangible assets		376	7	5,236	420
Cash inflows related to other activities of Group companies		7,942	452	8,460	580
Cash outflows related to other activities of Group companies		(5,448)	—	(8,764)	—
Recoveries on loans previously written off		2,868	694	2,183	422
Salaries and related payments to and on behalf of employees		(23,470)	(20,874)	(23,662)	(20,427)
Payments related to operating and other expenses		(16,408)	(26,754)	(12,013)	(10,073)
Income tax paid	8	(9,046)	(8,502)	(4,808)	(3,759)
Net cash flow from operating activities before change in operating assets and liabilities		75,374	49,288	96,964	78,749
Change in operating assets and liabilities:					
(Increase) decrease in due from other banks		(1,318)	(1,318)	1,810	1,810
Increase in loans to customers		(99,161)	(94,789)	(260,253)	(250,196)
Decrease (increase) in finance lease receivable		175	1,571	(34,824)	(34,938)
Decrease (increase) in other financial assets		3,095	2,951	5,338	5,479
(Increase) decrease in other non-financial assets		(3,308)	(7,832)	6,178	1,235
Increase in due to banks and financial institutions		153,432	154,600	5,275	5,386
Increase in due to customers		306,852	305,421	186,968	188,991
Increase (decrease) in special and lending funds		(1,311)	(1,311)	3,868	3,868
Increase (decrease) in other financial liabilities		(859)	2,090	6,058	5,665
Increase (decrease) in other non-financial liabilities		(3,345)	19,802	1,439	(5,141)
Change		354,252	381,185	(78,143)	(77,841)
Net cash flow from operating activities		429,626	430,473	18,821	908
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(4,396)	(4,335)	(5,527)	(4,245)
Disposal of property, plant and equipment, investment property and intangible assets		2,347	2,292	5,109	4,778
Acquisition of debt securities at amortized cost	15	(389,552)	(387,599)	(48,246)	(37,876)
Proceeds from redemption or sale of debt securities at amortized cost	15	225,013	225,008	122,242	122,242
Interest received on debt securities at amortized cost	15	6,644	6,381	14,864	14,740
Dividends received	29	2	4,002	42	4,842
Acquisition of investment securities at fair value		(24,605)	(28,640)	(7,469)	(7,204)
Sale or redemption of investment securities at fair value		4,847	4,551	14,328	14,031
Interest received on investment securities at fair value		551	551	382	350
Net cash flow from (used in) investing activities		(179,149)	(177,789)	95,725	111,658
Financing activities					
Payment of dividends	29	(11)	(11)	(17,382)	(17,382)
Interest on debt securities in issue	23	(1,230)	(1,230)	(120)	(120)
Issue of debt securities	23	—	—	20,000	20,000
Redemption of debt securities issued	23	—	—	(20,000)	(20,000)
Principal elements of lease payments	10	(1,569)	(1,376)	(1,431)	(1,214)
Net cash flow (used in) from financing activities	10	(2,810)	(2,617)	(18,933)	(18,716)
Net increase (decrease) in cash and cash equivalents		247,667	250,067	95,613	93,850
Cash and cash equivalents at 1 January		184,917	181,582	89,304	87,732
Cash and cash equivalents at 31 December	10	432,584	431,649	184,917	181,582

The accounting policies and notes on pages 17 to 129 constitute an integral part of these financial statements.

GENERAL INFORMATION

Šiaulių Bankas AB was registered as a public company in the Enterprise Register of the Republic of Lithuania on 4 February 1992. The Bank is licensed by the Bank of Lithuania to perform all banking operations provided for in the Law on Banks of the Republic of Lithuania and the Charter of the Bank. In this document Šiaulių Bankas AB is referred to as the Bank, Šiaulių Bankas AB and its subsidiaries - the Group.

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. At the end of the reporting period the Bank had 59 customer service outlets (2019: 60 outlets). As at 31 December 2020 the Bank had 756 employees (31 December 2019: 737). As at 31 December 2020 the Group had 849 employees (31 December 2019: 831 employees).

The Bank accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance and is investing and trading in securities, as well as performs other activities set forth in the Law on Banks of the Republic of Lithuania and the Charter of the Bank. Subsidiary companies of the Group perform consumer financing, life insurance and real estate management activities.

The Bank's shares are listed on the Baltic Main List of the NASDAQ Stock Exchange.

As of 31 December 2020 the Bank owned the following directly controlled subsidiaries:

1. SB Draudimas UAB (name changed Bonum Publicum GD UAB; life insurance activities),
2. SB Lizingas UAB (consumer financing activities),
3. Šiaulių Banko Lizingas UAB (lease activities),
4. Šiaulių Banko Turto Fondas UAB (real estate management activities)

As of 31 December 2020 the Bank owned the following indirectly controlled subsidiaries:

5. Apželdinimas UAB (real estate management activities),
6. Sandworks UAB (real estate management activities),

As of 31 December 2020 the Bank owned directly controlled subsidiaries held for sale:

7. Minera UAB (real estate management activities),
8. Šiaulių Banko Investicijų Valdymas UAB (investment management activities)

As of 31 December 2019 the Bank owned the following directly controlled subsidiaries:

1. Bonum Publicum GD UAB (life insurance activities),
2. Minera UAB (real estate management activities),
3. Pavasaris UAB (development of the area of multi-apartment residential houses),
4. SB Lizingas UAB (consumer financing activities),
5. SBTF UAB (real estate management activities),
6. Šiaulių Banko Investicijų Valdymas UAB (investment management activities),
7. Šiaulių Banko Lizingas UAB (lease activities),
8. Šiaulių Banko Turto Fondas UAB (real estate management activities)

As of 31 December 2019 the Bank owned the following indirectly controlled subsidiaries:

9. Apželdinimas UAB (real estate management activities),
10. Sandworks UAB (real estate management activities),

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements of the Group and the Bank have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements have been prepared under the historical cost convention as modified for the fair value of financial assets and liabilities at fair value through profit or loss and investment securities at fair value through other comprehensive income.

The preparation of financial statements in conformity with International Financial Reporting Standards require the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

These financial statements combine the consolidated financial statements for the Group and separate financial statements of the Bank. Such format of reporting was adopted to ensure consistency of presentation with the format prescribed by the Bank of Lithuania and applied for statutory reporting.

Neither the Bank's shareholders, nor any other party have power to amend the financial statements after issue. According to local legislation, the financial statements are subject to approval in the general meeting of shareholders, but the approval/disapproval cannot result in amendment of the financial statements.

Amounts shown in these financial statements are presented in the national currency the euro (EUR), which is the Bank's and Group's functional and presentation currency.

Amendments to existing standards and interpretations effective in 2020

A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Group's financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Definition of a Business (Amendments to IFRS 3);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

IFRS 17, Insurance Contracts (effective for annual periods beginning on or after 1 January 2023, not yet adopted by the EU): IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of the amendments on its financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's and Bank's financial statements:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- COVID-19-Related Rent Concessions (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

Consolidation of subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between the Group companies (including subsidiaries classified as held for sale) are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Bank.

Subsidiaries in the stand-alone financial statements are accounted for using equity method. Investment is initially recognized at cost, and adjusted thereafter for the post-acquisition change in the Bank's share of net assets of the subsidiary. the share of the profit or loss is included in the value of investments in subsidiaries and Bank's income statement, dividends paid by the subsidiary to the Bank are subtracted from the value of investment in subsidiary and not included in Bank's income statement.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in the euro, which is the Bank's functional and presentation currency. Euro also is functional and presentation currency of all the subsidiaries of the Bank included in the consolidated financial statements.

(b) Transactions and balances

All monetary assets and liabilities denominated in foreign currencies are translated into the euro (EUR) at the official daily euro foreign exchange reference rates (published by the European Central Bank) prevailing at the end of the reporting period. Gains and losses arising from this translation are included in the income statement for the reporting period. All non-monetary liabilities and assets are translated using the exchange rate prevailing on the date of acquisition.

Foreign currency transactions are recorded in the euro using the exchange rate ruling on the date of the transaction. Exchange differences arising from the settlement of transactions denominated in foreign currency are charged to the income statement at the time of transaction using the exchange rate ruling at that date.

Off-setting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Recognition of income and expenses

Interest income and expense are recognised in the income statement on debt instruments at amortized cost or at fair value through other comprehensive income on an accrual basis using the effective interest method based on the actual purchase price. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Loan origination fees are accounted for as an adjustment to the effective interest rate calculation for each issued loan separately. Other commission fees and other similar income and expenses are recognised as gained or incurred.

For financial assets interest income is calculated by applying the effective interest rate to the gross carrying amount, except for financial assets that are credit-impaired (Stage 3), for which interest income is calculated by applying the effective interest rate to the net carrying amount (i.e. gross carrying amount reduced by the allowance for impairment), and purchased or originated credit-impaired (POCI) assets, for which the credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.

Revenues from contracts with customers consist primarily of service-related fees and are reported as Commission income, including fees for settlement services, service plans, cash operations, cards, account servicing fees, services related to securities, collection of utility and similar payments and others. The revenues reflect the consideration which is expected to be received in exchange for those services or transactions. The recognition in Income statement depends on whether the Group's obligations are provided. Revenue from service is recognised over time on a straight-line basis when the services are provided to the customer. Revenue related to transactions is recognised at a point in time when the transaction takes place. The Group recognises unbilled receivables for services and transactions, which have been provided as accrued income.ee income is recognised at a point in time when the Group satisfies its performance obligation upon execution of the specified transaction. Such income includes fees for settlement services, cash operations, documentary collection, collection of utility and similar payments, services related to securities and other.

Insurance income and expense recognition is disclosed under Technical provisions section.

Revenue from other activities of the Group comprise sale of apartments or other developed real estate projects. This revenue is recognized at a point of time upon transfer of completed property to client.

Dividend income

Dividends are recognised in the income statement when the Bank's or Group's right to receive payments is established.

Share-based payment

Employees whose professional activities and/or decisions might have a significant impact on the risk accepted by the Group, receive deferred variable remuneration. The grant-date fair value of equity-settled shares -based payment arrangements granted to these employees is recognised as salaries and related expenses in income statement with a corresponding increase in other equity line in the statement of financial position, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the service and conditions (not directly based on market performance of shares) are expected to be meet, such that the amount ultimately recognised is based on the number of awards that meet the related service and conditions at vesting date. Any deviation from the original approval related to number of awards for which the related services and conditions are recognised in Income statement and a corresponding adjustment is recognised in other equity.

Taxation

a) Income tax

In accordance with the Lithuanian Law on Corporate Profit Tax, taxable profit for 2019 period is subject to income tax at a rate of 15%. Expenses related to taxation charges and included in these financial statements are based on calculations made by the management in accordance with the Lithuanian regulatory legislation on taxes. From year 2020 commercial banks operating in Lithuania are be subject to income tax of 20%.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled (20% for deferred income tax assets and liabilities recognized at 31 December 2020 and at 31 December 2019).

The principal temporary differences arise from carryforward of unused tax losses, revaluation of securities, difference between net book value and tax base of tangible fixed assets and accrued charges. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

b) Other taxes

Real estate tax rate is up to 1% on the tax value of tangible fixed assets and foreclosed assets. The Bank is also obliged to pay land and land lease taxes, make payments to guarantee fund and social security contributions. These taxes are included in other expenses in the income statement.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with the Bank of Lithuania, treasury bills and other eligible bills, amounts due from banks and financial institutions and short-term government securities.

Financial assets

Financial assets are classified into 3 categories:

- financial assets at fair value through profit and loss (the Group and the Bank have debt and equity securities which are included to trading book, and equity securities which are included to investment securities portfolio),
- financial assets at fair value through other comprehensive income (the Group and the Bank have only debt securities of this category, these are included to Investment securities portfolio) and
- financial assets at amortized cost.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. The classification is based on the cash flow characteristics of the asset and the Group's business model for managing the asset.

Financial assets at fair value through profit or loss

Trading book (trading sub-portfolio) includes debt securities which were acquired either for generating a profit from short-term fluctuations in price or dealer's margin.

Trading book (other assets sub-portfolio) includes debt and equity assets of the subsidiary involved in life insurance activities. These assets are managed on behalf of customers and were designated at fair value through profit or loss in order to significantly reduce the accounting mismatch between these securities and unit-linked provisions.

Investment portfolio includes non-trading (investment) equities that were acquired for generating a profit in longer term fluctuations or in line with other purposes with the Group (e.g. to have participation in entities that provide services to the group, or other).

Securities at fair value through profit or loss are initially recognised at fair value, which is based on transaction price and are subsequently measured at fair value based on quoted bid prices or derived from a discounted cash flow model if market price is unreliable measure. All related realised and unrealised gains and losses are included in net trading income. Interest earned is reported as interest income. Dividends received are included in dividend income. The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

ACCOUNTING POLICIES (continued)

All purchases and sales of securities at fair value through profit or loss that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at settlement date, which is the date when payment is made for assets purchased or sold. All other purchases and sales are recognised as derivative forward transactions until settlement. Changes in the asset's fair value between the trade date and the settlement date are recognized as trading gains/losses in the income statement.

Financial assets at fair value through other comprehensive income

Debt securities that are held for collection of contractual cash flows and for selling them, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for recognition of impairment gains or losses, interest income and foreign exchange gains or losses on the financial instrument's amortised cost which are recognized in profit or loss. When the debt asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in Net gain (loss) in operations from securities. Interest income from these financial assets is included in Interest income using the effective interest rate method.

The Group did not designate any equities at fair value through other comprehensive income.

Financial assets at amortized cost

Loans to customers and finance lease receivables that are the main strategic direction of Group's business and debt securities that are held for collecting cash flows in line with prescribed business model to generate long-term yield and to serve as secondary liquidity reserves constitute the major part of Group's assets and are attributable to financial assets at amortized cost (as well as other qualifying assets such as cash equivalents, due from banks, other financial assets). These assets may be sold, but sales (other than sales low in volume or sales as part of problem debt recovery activities) are rare and infrequent. Financial assets at amortized cost are non-derivative financial assets that pass the "Solely payments of principal and interest" (SPPI) test other than: (a) those that the bank classifies as fair value through profit or loss due to intention for short-term sale or reduction of accounting mismatch; (b) those that the bank upon initial recognition designates at fair value through other comprehensive income; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the asset and recognised in the income statement as 'Allowance for impairment losses'. Financial assets at amortized cost are derecognized when the contractual rights to receive the cash flow from the assets expire, or the assets are written-off, or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortized cost and fair value through other comprehensive income and with exposure arising from loan commitments and financial guarantee contracts. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition. Section 1.3 of the Financial risk management disclosure provides more details on the ECL measurement.

Write-offs of financial assets

Loans and receivables are regularly reviewed and written-off from the balance sheet when the total loan balance or a part of it is considered as uncollectible under the most optimistic scenario using expert judgement on each exposure. Typically, the judgement that there is no reasonable expectation for recovery is applied for the exposures where there are no clear indications of possible cash flows from the borrower and to the extent that the collateral is deemed insufficient. 100% impairment provision against the carrying amount of the exposure must be recognized before an uncollectible exposure (or part of it that is considered to be uncollectible) can be written-off. Written-off exposures are accounted for as off-balance sheet claims ("accumulated write-offs") until the legal right to claim the amounts from the borrower expires.

Modifications of financial assets

The Bank sometimes modifies the payment terms of loans to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Modification practices are based on criteria which, in the judgement of management, indicate that payment will most likely continue. Legal treatment for loan contract amendments is followed, i.e. amended loan contracts are accounted for as modifications - i.e. date of signing the original contract remains the point for loan parameters at origination used to assess significant increase of credit risk. On modification, the gross carrying amount of the loan is recalculated as the present value of the modified contractual cash flows that are discounted at the loan's original effective interest rate. The resulting modification gain or loss is included in other income line in the income statement. The modification of loan contract does not automatically impact its credit stage assignment if it done on a commercial negotiations basis or according to public or sectoral moratoria, but the loans subject to modification are checked if it is done because of borrower's inability to serve the loan by its original schedule. If this is the case, significant increase credit risk (Stage 2) is recognized. Additional scenarios for moving the loans the loans that were modified due to customers problems to Stage 3 are in place, and additional observation periods are in place for recognizing improvement in staging for such loans.

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested for impairment at least annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Reverse repurchase transactions

Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers, as appropriate. The difference between purchase and repurchase price is treated as interest and accrued over the life of agreement using the effective interest method. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

Reverse repurchase agreements are classified as loans and receivables and are accounted for using the amortised cost method.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Intangible assets are amortised using the straight-line method over their estimated useful life (see note 17).

Property, plant and equipment

Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation is provided on a straight-line basis to write off proportionally the cost of each asset over its estimated useful life.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals of fixed assets are determined by reference to their carrying amount and are charged to the Income statement.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Asset maintenance costs are charged to the income statement when they are incurred. Significant improvements of assets are capitalised and depreciated over the remaining useful life period of the improved asset. Useful lives of property, plant and equipment are disclosed in note 18.

Leases

a) Group company is the lessee

Right-of-use assets and liabilities arising from lease are initially measured on present value basis, discounted using the interest rate implicit in the lease (the weighted average lessee's incremental borrowing rates: 31 December 2020: Group 0.40%, Bank 0.29%; 31 December 2019: Group 1.14%, Bank 0.91%). Lease liabilities include fixed and variable payments (based on an consumer index or infliation rate). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The discount influence is recognised in finance cost as interest expense in income statement. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any initial direct costs, adjusted by advance payments. Right-of-use assets are depreciated using the straight-line method over rent period. The depreciation charge is recognised as depreciation expenses in income statement. The duration of rent agreements are adjusted by the group's management assumptions on contract extensions. The expenses related to short-term leases or to leases of low-value assets are included in other operating expenses in income statement. Right-of-use assets are included in Property, plant and equipment, lease liabilities are included in Other financial liabilities.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate). Otherwise, the Group considers other factors including the plans to continue an activity. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

b) Group company is the lessor

Operating leases

Assets leased out under operating leases are included in tangible fixed assets in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned fixed assets. Rental income is recognised on a straight-line basis over the lease term.

Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

Inventories

Inventories of the Group consist mainly of apartments held for sale and property for development. They are stated at the lower of cost and net realizable value. Net realizable value for apartments held for sale are calculated as based on market value of apartments less costs to sell. Net realizable value of property for development are calculated as discounted cash inflows to be received from developed property less discounted cash outflows related to the development and selling of a property.

Financial liabilities

The Group's financial liabilities consist of those designated at fair value and those carried at amortised cost. Financial liabilities are derecognised when extinguished.

Financial liabilities at fair value through profit or loss

The group can designate certain liabilities upon initial recognition as at fair value through profit or loss (fair value option); this designation cannot be changed subsequently.

Other liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, debt securities in issue, liabilities to special and lending funds as well as other various financial liabilities. Initially they are recognised at fair value, and subsequently stated at amortised cost, with any difference between net proceeds and the redemption value recognised in the Income statement over their period using the effective interest method.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be reliably estimated.

Technical provisions

Technical provisions are computed in accordance with Lithuanian insurance supervisory authority (Bank of Lithuania) requirements and are based on assumptions and estimates, the adequacy of which is evaluated based on observations of historical and current data and the use of projection methods that consider developing trends in experience and that adjust for changes in circumstances.

a) *Unearned premiums reserve*

Unearned premiums reserve represents the part of premiums written which relates to the period of risk subsequent to the accounting period. Unearned premiums reserve is calculated for every contract separately by proportionate distribution of the written premium throughout the risk period. The part of unearned premiums reserve attributable to the reinsurers is calculated by the same method.

b) *Outstanding claims reserve*

Outstanding claims reserve represents amounts payable for claims outstanding. Provision covers all anticipatory payments for claims reported but not settled, claims incurred but not reported, claims reported, settled but not paid, including amounts required for claims settlement according to all above mentioned claims as of the financial statement date.

Base for calculation of provision for claims reported but not settled is an individual evaluation of every reported claim, according to the information available at the moment of calculation of this technical provision.

The part of provision for claims incurred, not reported is calculated using "Chain-ladder", Bornhuetter – Ferguson or Loss-ratio methods for insurance products separately.

The part of outstanding claims reserve attributable to the reinsurers is calculated under reinsurance contracts.

c) *Life insurance mathematical provision*

Life insurance mathematical provision is calculated individually for every policy applying an actuarial conservative perspective assessment. Life insurance mathematical provision is a difference of the actuarially discounted value of the future policy benefits less the discounted value of the future premium payments.

The method of assessment can be described as prospective net premium method. For the calculations Zillmer adjustment method is applied. Thus deferred acquisition costs reduce life insurance mathematical technical reserve.

When computing the life insurance mathematical technical provision mortality tables of general population of Lithuania for the years 1993 – 1996, that were modified in year 2007 according the situation of the population of Lithuania are applied. Guaranteed interest rate is applied according to agreements but no more than 3.5%.

According to the profit (surplus) sharing rules, the contract of the endowment, pure endowment, pension and scholarship insurance, valid more than three years, participates in the profit (surplus) sharing of the insurer. The insurers profit share calculated for the insurance agreement is not paid at once but increases the claims in case of death or/and survival till the end of insurance period, also the surrender values are increased respectively. The profit (surplus) calculated for insurance product, is ascribed to the mathematical technical provision.

d) *Technical provision for unit-linked life insurance policies*

Technical provision for unit-linked life insurance policies is calculated using retrospective method. Technical provision is calculated by adding invested premiums less charges applied to the policy holder to cover expenses and the risk assumed. The technical provision is expressed in investment units which are reprised in accordance with changes in market values of related investments.

Insurance contracts

Bank's subsidiary SB Draudimas (the company) is engaged in life insurance activities and offers various insurance contracts, main categories of which include:

a) *Long-term insurance contracts with fixed and guaranteed terms*

These contracts insure events associated with human life (for example death or survival) over a long duration. Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as expenses when they are incurred. Expenses related to the Insurance activities for claims incurred are recognized as an expense in the period in which they are paid.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. Life insurance mathematical provision for these insurance contracts is calculated as described in accounting policies above.

The liabilities are recalculated at each balance sheet date using the assumptions established at inception of the contract.

Acquisition costs include costs incurred in concluding insurance contracts. These costs include the salaries of employees working directly on insurance contracts, related fees, commissions, advertising and other related costs.

Commission fees for Long-term insurance contract without fixed terms are accounted for as deferred acquisition costs. These deferred acquisition costs are recognized as an expense during the first three years from the effective date of the insurance contract in the following proportions: 1 year - 34%, 2 years - 33%, 3 years - 33%.

b) *Long-term insurance contracts without fixed terms – unit-linked*

These contracts insure human life events (for example death or survival) over a long duration. The company does not unbundle deposit component separately from insurance component as:

- deposit element is not clearly identifiable from the terms of the contract;
- contracts of this kind are a single product, regulated as insurance business by insurance supervisory authority and should be treated in a similar way for financial reporting;
- the information about gross premium inflows is considered to be important as an aid to economic decisions.

Gross insurance premiums are recognized as revenue when they are received from the policyholder and the respective liability is recognized. Technical provision for unit-linked life insurance policies and mathematical provision for these insurance contracts is calculated is described in accounting policies above.

(All amounts are in EUR thousand, unless otherwise stated)

Expenses related to Long-term insurance contract without fixed terms – unit linked such as death benefits, injuries are recognized in the period in which they are paid.

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the company with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

c) *Liability adequacy test*

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred acquisition costs. In performing these tests, current best estimates of future contractual cash flows and claims handling expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off deferred acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

As mentioned above, long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margin for adverse deviation) are used for the subsequent measurement of these liabilities.

Any deferred acquisition costs written off as a result of this test cannot subsequently be reinstated.

For the years ended 31 December 2020 and 2019 the liability adequacy test and the changes were as follows:

	Technical provisions	Deferred acquisition cost	Best estimate of future cash flows	Excess of technical provisions
At 31 December 2019	33,497	1,133	27,601	4,763
Change for the period	2,779	111	491	2,177
At 31 December 2020	36,276	1,244	28,092	6,940

Dividends

Dividends on the Bank's shares are recorded in equity in the period in which they are declared.

Employee benefits

a) *Social security contributions*

The Group companies pay social security contributions to the state Social Security Fund (the Fund) on behalf of their employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within salaries and related expenses. Social security contributions each year are allocated by the Fund for pension, health, sickness, maternity and unemployment payments.

b) *Termination benefits*

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it can no longer withdraw the offer of those benefits; or when recognises costs for a restructuring that involves the payment of termination benefits. Benefits falling due more than 12 months after balance sheet date are discounted to present value. Termination benefits are included within salaries and related expenses in the income statement and within other liabilities in the statement of financial position.

Segment information

Operating segments are reported in accordance with the information analysed by the Executive Board (the chief operating decision-maker) of the Group, which is responsible for allocating resources to the reportable segments and assesses its performance.

The Group has four main business segments:

- Traditional banking operations and lending – includes traditional retail and corporate banking operations such as issuing loans and providing banking services to the customers and finance, lease and consumer financing services provided to customers of the Group (includes financial information of the Bank allocated to this segment and financial information of Šiaulių Banko Lizingas UAB and SB Lizingas UAB);

- Treasury – includes banking treasury operations such as managing securities and liquidity portfolio, currency exchange etc. (includes financial information of the Bank allocated to this segment);

- Non-core banking activities - includes other banking operations not included in traditional lending and treasury segments such as lending to subsidiaries (except for lending to leasing and consumer financing subsidiaries), revenues/expenses related to investment in subsidiaries (dividends, impairment of investment in subsidiaries), engagement in one-off projects, managing problem loans (includes financial information of the Bank allocated to this segment);

- Other activities – includes other activities performed by Group companies not included in previous segments – i.e. real estate operations, life insurance, investment management (includes financial information of the subsiaries not mentioned above).

As the Group's segment operations, except for real estate development are all financial with a majority of revenues deriving from interest and the Group Executive Board relies primarily on net interest revenue to assess the performance of the segment, the total interest income and expense for all reportable segments is presented on a net basis. Also all other main items of the income statement are analysed by the management of the Group on segment basis therefore they are presented in the segment reporting.

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the Group Executive Board is measured in a manner consistent with that in the consolidated income statement. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments.

The Group's management reporting is based on a measure of profit before taxes comprising net interest income, net fee and commission income, loan impairment charges, operating expenses, amortization and depreciation expenses and other net income.

As the Group focuses on domestic activities, no geographical concentration is observed in Group's decision making. Due to the nature of Group's activities (financial services), capital expenditures are not important in the decision making process therefore not used in the segment reporting and total assets is more relevant indicator than the fixed asset amount.

Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

Fair value of assets and liabilities

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial guarantee contracts, letters of credit and undrawn loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the amount of loss allowance and the premium received on initial recognition less income recognized in accordance with principles of IFRS 15.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer.

These contracts are in the scope of the ECL impairment recognition requirements.

Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the consolidated group, are classified as investment properties. Investment properties comprise buildings for commercial activities and land plots for undetermined future use.

Some properties may be partially occupied by the Group, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Group can be sold separately, the Group accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40. When the portions cannot be sold separately, the whole property is treated as investment property only if an insignificant portion is owner-occupied. The Group considers the owner-occupied portion as insignificant when the property is more than 95% held to earn rental income or capital appreciation. In order to determine the percentage of the portions, the Group uses the size of the property measured in square meters.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost has incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured at cost less less accumulated depreciation. Depreciation is provided on a straight-line basis to write off proportionally the cost of each asset over its estimated useful life . All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

In addition, investment properties are tested for impairment. These valuations are performed annually by external or internal appraisers.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets (for example, for exchange-traded options), including recent market transactions, and valuation techniques (for example for non-traded options), including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. All derivative financial instruments are classified as held for trading.

FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Bank's and the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers and borrows from other financial institutions at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

Strategic decisions related to financing and investing activities of the Bank and the Group is made by the Board of the Bank. Operating financing and investment decisions are made on division level. Divisions of the Group are presented in Segment information. Decisions on risk management are made by the Risk Management Committee of the Bank. Risk Management Policy is approved and monitored by the Board of the Bank.

The Bank and the Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-balance sheet loans and advances but the Group also enters into guarantees and other commitments such as letters of credit and other guarantees.

The Group analyses, evaluates, accepts and manages the risk or combination of risks it is exposed to. Risk management at the Group aims at ensuring a sufficient return on equity following the conservative risk management policy. While implementing an advanced risk management policy the Group focuses not only on minimising potential risk but also on improving pricing and achieving efficient capital allocation.

The Risk Management Policy approved by the Council of the Bank as well as by the procedures to manage different types of risks prepared on its basis ensures the integrity of the risk management process in the Group.

The purpose of risk management policy is to define the risks as well as their management principles in the Group's activities. Due to the fact that various risks experienced by the Group are interdependent their management is centralized. Organization and coordination of the experienced risk management system is one of the main goals of the Bank's Risk Management Committee.

FINANCIAL RISK MANAGEMENT (continued)

The Group reviews its risk management procedures and systems to reflect changes in markets, products and emerging best practice on regular basis, at least annually.

The Group performs self assessment each year. This process analyses types of risks that could potentially arise from banking activities and have material impact to the Group. The most important types of risk the Group is exposed to are credit risk, market risk, liquidity risk, concentration risk, operational risk, IT risk, model risk and compliance risk. Market risk includes currency risk, interest rate and securities price risk. Other types of risk are considered immaterial by the Group and, therefore, are not assessed.

In order to avoid a conflict of interest the Bank's subdivisions that implement risk management functions are separated from those subdivisions the direct activities of which are connected with the up rise of various types of banking risks.

1. Credit risk

Credit risk is defined as the risk for the Group to incur losses due to the Group's customers' failure to fulfil their financial obligations towards the Group. Credit exposures arise principally in lending activities and it is the most significant risk in the Group's banking activities.

There is also credit risk in investment activities that arise from debt securities and in the Group's asset portfolio as well as in the off-balance sheet financial instruments, such as loan commitments, guarantees and letters of credit.

The Bank regularly reviews its credit risk management policies which include lending policies, credit risk limit control, other credit risk mitigation measures as well as the internal control and internal audit of credit risk management.

The Bank's Board has approved the credit risk management policies and procedures which lay down the principles for credit risk management, establish an acceptable level of credit risk and credit risk's structure and determine credit risk mitigation measures and their interaction. This ensures a uniform understanding of the principles for taking on exposure to credit risk and allows achieving consistency with the nature and complexity of the Bank's lending policy and the prudential requirements.

The Bank takes risks only in the fields, which are well known to it and where it has long-term experience, trying to avoid excessive risk in transactions that can have negative influence to the big portion of shareholders' equity but seeks the sufficient profitability which, in terms of increasing competition, would ensure the stable Bank's position in the market and would increase the Bank's value. In assessing exposure to credit risk, the Bank adheres to the principle of prudence.

The Bank's lending policy is focused on small and medium-size business clients, seeking to provide them with the better funding terms and long-term support, at the same time paying attention to Bank's potential to grow.

Large entities are defined as entities employing more than 250 employees. Small and medium size entities are defined as entities employing less than 250 employees and the balance sheet total does not exceed EUR 43 million or annual turnover does not exceed EUR 50 million.

New types of activities or products are launched only after the assessment of the arising risk. All lending products and processes at the Bank are regulated and documented pursuant to the requirements of risk assessment and internal control policy. Special procedures are established with respect to each lending product.

The aim of the Bank's credit risk management policy is to ensure that the conflict between interests of staff or structural units is avoided. With respect to provision of credits to clients, the principle stating that profit should not be earned at the expense of excessive credit risk is observed.

The Bank's credit risk management policy is based on the best practice in risk management of other banks. Therefore, the Bank's employees continuously enhance their knowledge of credit risk management systems of Lithuanian and foreign banks and the results of their application.

1.1. Credit risk measurement

(a) Loans and receivables

The Bank applies credit risk management measures, which could be divided into two types:

1) Measures that help to avoid decisions to grant unsecured loans;
2) Measures ensuring the effective monitoring system of the Bank's asset quality.

Measures that help to avoid decisions to grant unwarrantably risky credits include:

1) Multi-stage decision-making and its approval system;
2) Risk allocation among structural levels – limit establishment;
3) Security measures for credit repayment (collateral).

Multi-stage decision-making and its approval system has an aim not to make one-man decisions regarding credit granting by authorized persons but to make them be discussed by the collegial bodies of the Bank and, as the case may be, by the Bank's Loan Committee, the Bank's Board or Council. There are certain limits to authorized persons established regarding credit granting implementation as well as approval limits to collegial bodies. Limit establishment depends on the authorized persons' qualification, experience and the effectiveness of their managed branches; while in the Branch Committees and the Bank Loan Committee the attention is paid to the Committee members' qualification, experience and economic activity of the region, where the branch is located, the quality of loan portfolio and other factors.

It is very important to precisely analyse all the information about the customer before granting the credit. The goal of credit analysis is to do the best in evaluating the customer's status and prospects in the field where he/she provides his/her goods or services. The repayment of credits granted by the Bank must be enough secure in order to minimize possible credit repayment risks. A security measure has to be chosen in accordance with the credit type. Providing credit first of all the Bank analyses the borrower's financial capacity and credit repayment possibilities from the borrower's cash flows.

Credit administration and constant credit monitoring is the main principle in the Bank's security and reliability maintenance. The proper credit administration includes the timely updating of the borrower's credit file, providing with the latest financial information, the timely introduction of latest financial information to the database and preparation of the various documents and their amendments.

The Bank's Credit Risk Department collects and, if necessary, provides to responsible managerial personnel information on external conditions, the growth of the credit portfolio and fulfilment of targeted profit, expenses associated with risks, the largest amounts due from clients, distribution of credits by the type of economic activity, repayment terms past due, the largest clients with default possibilities, analysis of the credit portfolio by risk groups, changes in risk groups over a certain time period.

The Bank establishes and implements the procedures, improves information systems for monitoring separate credits as well as loan portfolio. These procedures include the criteria for early indication of potentially impaired loans and other transactions.

(b) Debt securities

Credit risk exposures with respect to debt securities are managed by carrying out counterparty analysis when decision for acquisition of securities is made. The concentration risk together with lending exposure arising from debt securities portfolio is analysed and monitored on a regular basis by the Risk Management Committee of the Bank.

(c) Credit-related commitments

Other credit-related commitments assumed by the Group include guarantees, letters of documentary credit, commitments to grant a credit which expose the Group to the same credit risk as the loans do. The key aim of these instruments is to ensure that funds are available to a customer as required. The above guarantees and letters of documentary credit are usually collateralised by clients' funds in the Bank accounts. With regards to commitments to grant credit the Bank is exposed to loss equal to the unused commitment amount.

1.2. Risk limit control and mitigation policies

(a) Concentrations

The Group manages, limits and controls concentration of credit risk – in particular, to individual counterparties and groups of the associated counterparties as well as to economic sectors.

In addition to the supervisory requirements to limit the exposures to a single borrower and large exposures, the Group also sets exposure requirement, which to a single borrower may not exceed 15 percent of the Bank's capital. The Bank's Council must approve the higher limits. Prudential maximum exposure requirement to a single borrower is 25 percent. Concentration of credit risk of the Bank is disclosed in Section 1.8. of Financial Risk Management disclosure.

The Group also sets limits to industry segments, i.e. a possible concentration in certain industries at the Group's level is restricted by the internal lending limits. The percentage and volume of lending limits are set for individual industries to ensure that the Group is not overly exposed to any particular economic sector in the country.

The geographical concentration risk is not recognised in the Group's business since the principle of focusing on domestic customers is followed.

Some other specific control and mitigation measures are outlined below.

b) Collateral

The Group mitigates credit risk by taking security for loans granted. The types of collateral considered by the Group as the most acceptable for loans and advances are the following:

- Real estate (mainly residential properties, commercial and industrial real estate);
- Business assets (equipment, inventory, transport vehicles);
- Property rights over financial instruments (debt securities, equities);
- Third party guarantees.

Long-term financing and lending to corporate entities are generally secured; revolving facilities and consumer loans to private individuals are generally unsecured. In order to minimize the credit loss as the impairment indicators for the relevant individual loans and advances are noticed the Group seeks for additional collateral from the counterparty.

While calculating a decrease in value for the loan the repayment of which is secured by the collateral, a cash flow from the security measure is also taken into consideration when determining the LGD factor. If several loans are insured with the same security measure (collateral), such security measure (collateral) is allocated according to rank of the pledge.

Debt securities, treasury and other eligible bills are generally unsecured.

For finance lease receivables the lender remains the owner of the leased object. Therefore, in case of customer's default the lender is able to gain control on the risk mitigation measures and realize them in rather short period.

1.3. Impairment and provisioning policies

a) ECL model used by the Group

Upon assessing impairment losses on loans, due to banks, debt securities at amortized cost and at fair value through other comprehensive income and other assets the Group follows the requirements expected credit loss (ECL) model prescribed in IFRS 9 Financial Instruments. The Group and the Bank carries out valuation of assets on a monthly basis, based on valuation policies approved by the Board of the Bank.

The ECL is measured by the formula:

PD x LGD x EAD = ECL
Where:
PD – probability of default. It represents the likelihood of a borrower on defaulting on its financial obligation;
LGD – loss given default. It represents the extent of loss the Group is likely to incur in case the borrower defaults;
EAD – exposure at default. It represents expected exposure at the time of the default.

The financial assets are grouped into 3 stages:

1) Stage 1 financial assets – no significant increase in credit risk is observed since initial recognition. The Group uses low credit risk exemption and assigns all of the exposures with external investment grade credit rating or exposures with Standard internal credit rating to Stage 1. 12 month PDs apply to Stage 1 exposures;

2) Stage 2 financial assets – significant increase in credit risk is observed since initial recognition. The Group uses multiple criteria to assess whether the credit risk has increased. Main criteria include: credit rating decrease (external credit rating decrease by >=3 notches; internal credit rating decrease by 1 notch), payment delays (>30 days past due financial assets are classified to Stage 2 unless there is observable evidence indicating otherwise), other observable criteria (restructuring, forbearance, inclusion in Watch List, other qualititative factors showing increased credit risk). Lifetime PDs apply to Stage 2 exposures;

3) Stage 3 financial assets – credit-impaired financial assets. Main criteria for inclusion the asset in Stage 3 include: bankruptcy of the customer; termination of the contract; payment delay >90 days; non-performing exposure status by regulatory rules (i.e. the exposure is unlikely to be repaid in full without collateral realisation (irrespective of any past-due amount or of the number of days past-due)); other observable criteria. For Stage 3 exposures, the PD ratio is always equal to 1.

In case observable evidence is available, Group's employees responsible for impairment calculations can rank certain exposures to better or worse stage.

The exposure ceases to be Stage 3 when it no longer meets the criteria for the consecutive period of at least 3 months. It should be noted that some of the regulatory non-performing exposure criteria have their own exit periods, therefore the period for an exposure to be classified out of Stage 3 may actually be longer.

The Group calculates its own PDs for loans to customers, finance lease receivables and other assets and uses PDs published by the rating agencies for debt securities and due to banks.

PDs for loans to customers and finance lease receivables are calculated using the historical data of Group's own lending portfolio. Full approach is applied for finance lease receivables as financial leases are part of Group's main activities. For this purpose, the Group uses migration matrices for the exposures grouped by the economic sector. The Group uses PDs published by rating agencies for debt securities and due from banks. For other financial assets, a simplified model derived from Group's lending data is used.

For loans to customers and finance lease receivables, LGDs are estimated by the Group using the value of collateral available for each exposure individually and discounting by certain ratios over certain period of time. Ratios and recovery periods depend on the type of collateral and are derived from Group's own recovery experience. For consumer financing exposures, the LGDs are estimated on a exposure group level using the ultimate recovery rate historical data. For debt securities and due from banks, LGDs from rating agencies are used.

For lending portfolio, Stage 1 EAD represents the expected exposure value over 12 month period; Stage 2 EAD represents the current exposure value and assumptions on the expected use of the off-balance sheet credit commitments. Stage 3 EAD is estimated as the total balance and off-balance sheet exposure. For debt securities, due from banks and other assets, gross exposure value is used as EAD estimate.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group's PD estimates incorporate forward-looking information. The Group transfers its historical ("through the cycle") data to economic-situation specific ("point-in-time") data by using models based on the expected economic development scenarios. The economic variables and their associated impact on the PD vary by financial instrument. The impact of economic variables on PD has been determined by performing statistical regression analysis. Expert judgement is also applied in the process.

To include the impact of economic variables, the Group uses 4 economic scenarios (base case, optimistic, pessimistic, stressed) and derives a single scenario based on the probabilities assigned to these scenarios. These probabilities are calibrated expert judgement of Group's employees, but it is aimed that the GDP growth estimate (i.e. the parameter that is prevalent in the most observed correlations) in the derivative scenario would align to the forecasts published by the institutions that publish economic forecasts (i.e. Bank of Lithuania, Ministry of Finance of Lithuania, etc.).

In order to address potential additional credit deteriorations arising from the Covid-19 pandemic implications, calculated PDs as of 31 December 2020 were additionally increased by the 30% of the ratio of loans subject to Covid-19 loan extension measures to total loans in each segment (for more information on loan modifications during the pandemic, please see section 1.5.g. of the Financial Risk Management disclosure).

The most significant assumptions used for the ECL estimates as at 31 December 2020 are presented in the tables below:

	GDP growth	Change in agricultural production	Unemployment	Inflation	Change in manufacturing output	Change in housing prices	Change in freight	Change in salaries
At 31 December 2020:								
Base scenario	-4.00 %	1.20 %	8.5 % - 9.3 %	-0.06 %-0.10 %	0.60 %	7.00 %	-4.12 %	4.00 %
Pessimistic scenario	-6.60 %	-5.98 %	17.40 % - 17.83 %	-0.28 %-0.96 %	-2.80 %	-15.20 %	-8.34 %	0.05 %
Optimistic scenario	5.88 %	9.10 %	6.18 % - 6.20 %	-0.08 % - 1.18 %	10.90 %	9.60 %	12.20 %	4.70 %
Stressed scenario	-15.30 %	-16.30 %	18.20 %	-0.90 % - 3.00 %	-10.30 %	-31.10 %	-13.10 %	-3.90 %

Scenario probabilities and weighted average GDP growth:

	2021		2022		2023		2024		2025	
At 31 December 2020:	*GDP*	*Probability*	*GDP*	*Probability*	*GDP*	*Probability*	*GDP*	*Probability*	*GDP*	*Probability*
Base scenario	-4.00 %	21 %	-4.00 %	19 %	-4.00 %	-4.00 %	-4.00 %	21 %	-4.00 %	22 %
Pessimistic scenario	-6.60 %	10 %	-6.60 %	5 %	-6.60 %	-6.60 %	-6.60 %	5 %	-6.60 %	5 %
Optimistic scenario	5.88 %	66 %	5.88 %	75 %	5.88 %	5.88 %	5.88 %	73 %	5.88 %	72 %
Stressed scenario	-15.30 %	3 %	-15.30 %	1 %	-15.30 %	-15.30 %	-15.30 %	1 %	-15.30 %	1 %
Weighted average GDP growth	1.9%		3.2%		3.1%		3.0%		2.9%	

The most significant assumptions used for the ECL estimates as at 31 December 2019 are presented in the tables below:

	GDP growth	Change in agricultural production	Unemployment	Inflation	Change in manufacturing output	Change in housing prices	Change in retail trade turnover	Change in freight	Change in corporate revenue	Change in salaries
At 31 December 2019:										
Base scenario	4.00 %	-1.90 %	6.10 %	0.20 % - 0.85 %	4.00 %	6.60 %	8.00 %	7.62 %	12.12 %	1.90% - 2.00%
Pessimistic scenario	-3.53 %	-5.98 %	17.83 %	-0.28 % - 1.18 %	0.80 %	-15.18 %	-7.94 %	-3.34 %	-0.98 %	-0.65% - 0.05%
Optimistic scenario	5.88 %	9.10 %	5.72 %	0.10 % - 1.18 %	10.85 %	9.60 %	15.58 %	12.24 %	19.55 %	3.70% - 4.00%
Stressed scenario	-15.30 %	-15.10 %	18.20 %	0.90 % - 3.00 %	-6.20 %	-31.10 %	-26.58 %	-13.15 %	-19.40 %	-3.90 %

Scenario probabilities and weighted average GDP growth:

	2019		2020		2021		2022		2023	
At 31 December 2019:	*GDP*	*Probability*	*GDP*	*Probability*	*GDP*	*Probability*	*GDP*	*Probability*	*GDP*	*Probability*
Base scenario	4.00 %	69 %	4 %	66 %	4.00 %	64 %	4.00 %	62 %	4.00 %	60 %
Pessimistic scenario	-3.53 %	18 %	-4 %	20 %	-3.53 %	21 %	-3.53 %	22 %	-3.53 %	23 %
Optimistic scenario	5.88 %	11 %	6 %	12 %	5.88 %	13 %	5.88 %	14 %	5.88 %	15 %
Stressed scenario	-15.30 %	2 %	-15 %	2 %	-15.30 %	2 %	-15.30 %	2 %	-15.30 %	2 %
Weighted average GDP growth	2.5%		2.3%		2.5%		2.2%		2.0%	

The assumptions underlying ECL calculations are subject to frequent review, the models used in ECL calculation are back tested against the actual performance data. In case of need, changes are made to the models. In 2020, as a response to the rapidly changing situation, the frequency of model parameters review was changed from annual to quarterly. In 2020, changes were made to the staging criteria (aligning with the supervisory guidelines, additional scenarios for assignment of loans to Stage 2 and Stage 3 were introduced: for Stage 2, additional scenarios including the inclusion in Watch List and loan modifications due to financial difficulties of the borrower were included; for Stage 3, additional scenarios for assessment of unlikeliness to pay were introduced). In 2019, changes were made to the economic scenario impact inclusion models (last available data of four quarters average before the calculation date was used as the base instead of available data of the last quarter before the calculation date), Stage 3 definition was expanded to include additional scenarios according to which more loans with modification of previous terms or conditions that would not have been granted had the debtor not been in financial difficulties would be assigned to Stage 3).

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

b) Impairment loss sensitivity

The most significant assumptions affected the estimated ECL allowance are GDP, given the significant impact on the borrowers performance; real estate price level, given the significant impact on the collateral values and consumer financing portfolio recovery rates, given the significant impact on the ultimate recoveries of the unsecured borrowings. The table below provides an sensitivity analysis of the above factors.

		2020		*2019*
	Group	Bank	Group	Bank
Scenario 1: GDP growth increases by 0.5 p.p.	ECL decreases by EUR 396 thousand, equity increases by EUR 317 thousand	ECL decreases by EUR 349 thousand, equity increases by EUR 279 thousand	ECL decreases by EUR 483 thousand, equity increases by EUR 386 thousand	ECL decreases by EUR 425 thousand, equity increases by EUR 340 thousand
Scenario 2: GDP growth decreases by 0.5 p.p.	ECL increases by EUR 552 thousand, equity decreases by 442 thousand	ECL increases by EUR 520 thousand, equity decreases by EUR 416 thousand	ECL increases by EUR 810 thousand, equity decreases by EUR 648 thousand	ECL increases by EUR 314 thousand, equity decreases by EUR 251 thousand
Scenario 3: real estate prices increase by 5%	ECL decreases by EUR 2,312 thousand, equity increases by EUR 1,850 thousand	ECL decreases by EUR 2,312 thousand, equity increases by EUR 1,850 thousand	ECL decreases by EUR 1,760 thousand, equity increases by EUR 1,408 thousand	ECL decreases by EUR 1,760 thousand, equity increases by EUR 1,408 thousand
Scenario 4: real estate prices decrease by 5%	ECL increases by EUR 2,579 thousand, equity decreases by EUR 2,063 thousand	ECL increases by EUR 2,579 thousand, equity decreases by EUR 2,063 thousand	ECL increases by EUR 1,968 thousand, equity decreases by EUR 1,574 thousand	ECL increases by EUR 1,968 thousand, equity decreases by EUR 1,574 thousand
Scenario 5: consumer financing portfolio recoveries increase by 5 p.p.	ECL decreases by EUR 834 thousand, equity increases by EUR 667 thousand	ECL decreases by EUR 49 thousand, equity increases by EUR 39 thousand	ECL decreases by EUR 751 thousand, equity increases by EUR 601 thousand	ECL decreases by EUR 80 thousand, equity increases by EUR 64 thousand
Scenario 6: consumer financing portfolio recoveries decrease by 5 p.p.	ECL increases by EUR 740 thousand, equity decreases by EUR 592 thousand	ECL increases by EUR 42 thousand, equity decreases by EUR 34 thousand	ECL increases by EUR 665 thousand, equity decreases by EUR 532 thousand	ECL increases by EUR 74 thousand, equity decreases by EUR 59 thousand

c) write-offs

The accumulated write-offs, including any amount constituting legal claims to the borrowers even if those amounts were never recognized on the balance sheet (the most common example of such cases is the difference between gross value and acquisition value of credit-impaired loans acquired by the Group) is presented in the table below:

		2020		*2019*
	Group	Bank	Group	Bank
Total accumulated write-offs subject to enforcement	99,798	98,697	99,983	97,668
of which: amounts written-off during the year subject to enforcement	825	642	15,356	14,438

(All amounts are in EUR thousand, unless otherwise stated)

1.4. Maximum exposure to credit risk before collateral held or other credit enhancements

	2020		2019	
	Group	Bank	Group	Bank
Cash equivalents:	363,088	362,251	121,595	118,376
Balances in bank correspondent accounts	13,107	12,270	31,411	28,192
Placements with Central Bank	349,981	349,981	90,184	90,184
Loans and advances to banks	1,598	1,598	280	280
Loans and advances to customers:	1,605,663	1,592,363	1,514,578	1,510,052
Loans and advances to financial institutions	4,747	107,442	3,600	100,085
Loans to individuals (Retail):	545,188	424,419	356,728	244,257
Consumer loans	133,517	12,748	134,519	22,048
Mortgages	297,140	297,140	101,727	101,727
Other (reverse repurchase agreements, other loans backed by securities, other)	114,531	114,531	120,482	120,482
Loans to business customers:	1,055,728	1,060,502	1,154,250	1,165,710
Large corporates	109,695	109,695	118,426	118,426
SME	829,759	834,533	931,196	942,656
Central and local authorities, administrative bodies and other	116,274	116,274	104,628	104,628
Finance lease receivables	155,457	155,290	157,597	157,540
Individuals	26,308	26,308	25,023	25,020
Business customers	129,149	128,982	132,574	132,520
Securities in the trading book:	14,540	8,844	18,104	14,546
Debt securities in the trading book	14,540	8,844	18,104	14,546
Derivative financial instruments	445	445	986	986
Investment securities at fair value	30,429	30,429	8,953	8,558
Debt securities at fair value through other comprehensive income	30,429	30,429	8,953	8,558
Investment securities at amortized cost	709,454	697,136	545,849	535,479
Debt securities at amortized cost	709,454	697,136	545,849	535,479
Other financial assets	4,695	4,278	7,875	7,229
Credit risk exposures relating to off –balance sheet items are as follows:				
Financial guarantees	48,790	48,851	44,425	44,489
Letters of credit	3,522	3,522	13,779	13,779
Loan commitments and other credit related liabilities	281,765	300,768	254,753	282,424
At 31 December	3,219,446	3,205,775	2,688,774	2,693,738

The table above represents a worst case scenario of credit risk exposure at 31 December 2020 and 2019, without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures presented above are net carrying amount as reported in the balance sheet.

(All amounts are in EUR thousand, unless otherwise stated)

1.5. Loans to customers

Loans to customers are summarised as follows:

	2020		*2019*	
	Group	Bank	Group	Bank
Gross loans to customers	1,648,446	1,630,184	1,553,087	1,542,117
Allowance for loan impairment	(42,783)	(37,821)	(38,509)	(32,065)
Net loans to customers	**1,605,663**	**1,592,363**	**1,514,578**	**1,510,052**

During the year ended 31 December 2020, the Group's gross loans and advances increased by 6%. The Group's total impairment provision for loans and advances amounts to EUR 42,783 thousand (2019: EUR 38,509 thousand) and it accounts for 2.60% of the respective portfolio (2019: 2.48%).

a) Credit grades

The Group and the Bank examines the potential borrower's financial performance before issuing a loan and monitors any development in financial performance during the whole loan service period. The Group and the Bank evaluates the borrower's financial performance at least annually. Consumer loans to individuals are assessed based on application scorings when decision is made. After they are granted they are monitored based on their past due status.

The bank uses internal grade system that has 5 internal grades (1 – best, 5 – worst). Standard loan is a loan when the borrower's financial performance is either very good or good (i.e. internal grades 1 or 2). Watch loan is a loan when the borrower's financial performance is satisfactory (i.e. internal grade 3). Substandard loan is a loan when the borrower's financial performance is poor or bad (i.e. internal grade 4 or 5). Problem loan is a loan when the payment is overdue for over 90 days, or the borrower is bankrupt, or the contract is terminated. Stage 3 may contain not only problem loans because certain staging scenarios require so (for example, a performing contract is assigned to Stage 3 if other contracts with the borrower have problems, or a certain period of time is required to pass before transferring a contract to a better stage).

Group loans to customers

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	921,688	86,434	4,455	1,012,577	883,375	8,600	3,129	895,104
Watch	284,083	142,037	50,774	476,894	382,767	97,359	19,811	499,937
Substandard	76,797	23,379	17,230	117,406	77,029	25,672	18,296	120,997
Problem	14	—	41,555	41,569	10	—	37,039	37,049
Gross	**1,282,582**	**251,850**	**114,014**	**1,648,446**	**1,343,181**	**131,631**	**78,275**	**1,553,087**
Less: allowance for impairment	(7,574)	(6,989)	(28,220)	(42,783)	(8,021)	(4,003)	(26,485)	(38,509)
Net	**1,275,008**	**244,861**	**85,794**	**1,605,663**	**1,335,160**	**127,628**	**51,790**	**1,514,578**

Bank loans to customers

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	1,007,658	86,057	4,328	1,098,043	963,950	8,141	3,052	975,143
Watch	259,774	141,358	55,205	456,337	367,050	98,039	19,617	484,706
Substandard	526	20,155	13,577	34,258	7,335	22,164	16,736	46,235
Problem	14	—	41,532	41,546	—	—	36,033	36,033
Gross	**1,267,972**	**247,570**	**114,642**	**1,630,184**	**1,338,335**	**128,344**	**75,438**	**1,542,117**
Less: allowance for impairment	(3,826)	(5,435)	(28,560)	(37,821)	(4,552)	(2,259)	(25,254)	(32,065)
Net	**1,264,146**	**242,135**	**86,082**	**1,592,363**	**1,333,783**	**126,085**	**50,184**	**1,510,052**

Group loans to indiduals (retail)

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	426,232	5,562	1,037	432,831	249,112	2,669	418	252,199
Watch	28,799	4,414	450	33,663	27,497	2,737	373	30,607
Substandard	76,537	4,466	6,908	87,911	70,640	5,700	2,267	78,607
Problem	—	—	1,842	1,842	10	—	5,962	5,972
Gross	**531,568**	**14,442**	**10,237**	**556,247**	**347,259**	**11,106**	**9,020**	**367,385**
Less: allowance for impairment	(5,690)	(1,847)	(3,522)	(11,059)	(5,172)	(2,135)	(3,350)	(10,657)
Net	**525,878**	**12,595**	**6,715**	**545,188**	**342,087**	**8,971**	**5,670**	**356,728**

Bank loans to indiduals (retail)

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	409,463	5,185	909	415,557	230,624	2,210	341	233,175
Watch	2,284	3,735	171	6,190	4,139	2,019	179	6,337
Substandard	266	1,242	2,790	4,298	946	2,193	707	3,846
Problem	—	—	1,820	1,820	-	-	4,608	4,608
Gross	**412,013**	**10,162**	**5,690**	**427,865**	**235,709**	**6,422**	**5,835**	**247,966**
Less: allowance for impairment	(1,961)	(294)	(1,191)	(3,446)	(1,723)	(391)	(1,595)	(3,709)
Net	**410,052**	**9,868**	**4,499**	**424,419**	**233,986**	**6,031**	**4,240**	**244,257**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group loans to indiduals (retail): Consumer loans

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	29,514	654	256	30,424	40,842	767	166	41,775
Watch	26,542	687	279	27,508	23,389	722	194	24,305
Substandard	76,272	3,224	4,128	83,624	69,695	3,511	1,560	74,766
Problem	—	—	53	53	10	—	1,522	1,532
Gross	132,328	4,565	4,716	141,609	133,936	5,000	3,442	142,378
Less: allowance for impairment	(4,047)	(1,621)	(2,424)	(8,092)	(4,064)	(1,858)	(1,937)	(7,859)
Net	128,281	2,944	2,292	133,517	129,872	3,142	1,505	134,519

Bank loans to indiduals (retail): Consumer loans

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	12,745	277	128	13,150	22,354	308	89	22,751
Watch	27	8	—	35	31	4	—	35
Substandard	1	—	10	11	1	4	—	5
Problem	—	—	52	52	—	—	189	189
Gross	12,773	285	190	13,248	22,386	316	278	22,980
Less: allowance for impairment	(318)	(68)	(114)	(500)	(615)	(114)	(203)	(932)
Net	12,455	217	76	12,748	21,771	202	75	22,048

Group loans to indiduals (retail): Mortgages

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	286,074	4,518	641	291,233	94,919	1,530	117	96,566
Watch	1,457	1,165	129	2,751	1,075	1,302	127	2,504
Substandard	218	1,240	1,882	3,340	770	1,811	35	2,616
Problem	—	—	1,240	1,240	—	—	1,174	1,174
Gross	287,749	6,923	3,892	298,564	96,764	4,643	1,453	102,860
Less: allowance for impairment	(578)	(181)	(665)	(1,424)	(469)	(222)	(442)	(1,133)
Net	287,171	6,742	3,227	297,140	96,295	4,421	1,011	101,727

Bank loans to indiduals (retail): Mortgages

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	286,074	4,518	641	291,233	94,919	1,530	117	96,566
Watch	1,457	1,165	129	2,751	1,075	1,302	127	2,504
Substandard	218	1,240	1,882	3,340	770	1,811	35	2,616
Problem	—	—	1,240	1,240	—	—	1,174	1,174
Gross	287,749	6,923	3,892	298,564	96,764	4,643	1,453	102,860
Less: allowance for impairment	(578)	(181)	(665)	(1,424)	(469)	(222)	(442)	(1,133)
Net	287,171	6,742	3,227	297,140	96,295	4,421	1,011	101,727

Group loans to individuals (retail): Other

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	110,644	390	140	111,174	113,351	372	135	113,858
Watch	800	2,562	42	3,404	3,033	713	52	3,798
Substandard	47	2	898	947	175	378	672	1,225
Problem	—	—	549	549	—	—	3,266	3,266
Gross	111,491	2,954	1,629	116,074	116,559	1,463	4,125	122,147
Less: allowance for impairment	(1,065)	(45)	(433)	(1,543)	(639)	(55)	(971)	(1,665)
Net	110,426	2,909	1,196	114,531	115,920	1,408	3,154	120,482

Bank loans to individuals (retail): Other

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	110,644	390	140	111,174	113,351	372	135	113,858
Watch	800	2,562	42	3,404	3,033	713	52	3,798
Substandard	47	2	898	947	175	378	672	1,225
Problem	—	—	528	528	—	—	3,245	3,245
Gross	111,491	2,954	1,608	116,053	116,559	1,463	4,104	122,126
Less: allowance for impairment	(1,065)	(45)	(412)	(1,522)	(639)	(55)	(950)	(1,644)
Net	110,426	2,909	1,196	114,531	115,920	1,408	3,154	120,482

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group loans to financial institutions

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Standard	14	4,827	—	4,841	15	3,623	—	3,638
Watch	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Problem	—	—	—	—	—	—	—	—
Gross	14	4,827	—	4,841	15	3,623	—	3,638
Less: allowance for impairment	—	(94)	—	(94)	—	(38)	—	(38)
Net	14	4,733	—	4,747	15	3,585	—	3,600

Bank loans to financial institutions

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Standard	102,709	4,827	—	107,536	96,500	3,623	—	100,123
Watch	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Problem	—	—	—	—	—	—	—	—
Gross	102,709	4,827	—	107,536	96,500	3,623	—	100,123
Less: allowance for impairment	—	(94)	—	(94)	—	(38)	—	(38)
Net	102,709	4,733	—	107,442	96,500	3,585	—	100,085

Group loans to business customers

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Standard	495,442	76,045	3,418	574,905	634,248	2,308	2,711	639,267
Watch	255,284	137,623	50,324	443,231	355,270	94,622	19,438	469,330
Substandard	260	18,913	10,322	29,495	6,389	19,972	16,029	42,390
Problem	14	—	39,713	39,727	—	—	31,077	31,077
Gross	751,000	232,581	103,777	1,087,358	995,907	116,902	69,255	1,182,064
Less: allowance for impairment	(1,884)	(5,048)	(24,698)	(31,630)	(2,849)	(1,830)	(23,135)	(27,814)
Net	749,116	227,533	79,079	1,055,728	993,058	115,072	46,120	1,154,250

Bank loans to business customers

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Standard	495,486	76,045	3,419	574,950	636,826	2,308	2,711	641,845
Watch	257,490	137,623	55,034	450,147	362,911	96,020	19,438	478,369
Substandard	260	18,913	10,787	29,960	6,389	19,971	16,029	42,389
Problem	14	—	39,712	39,726	—	—	31,425	31,425
Gross	753,250	232,581	108,952	1,094,783	1,006,126	118,299	69,603	1,194,028
Less: allowance for impairment	(1,865)	(5,047)	(27,369)	(34,281)	(2,829)	(1,830)	(23,659)	(28,318)
Net	751,385	227,534	81,583	1,060,502	1,003,297	116,469	45,944	1,165,710

Group loans to business customers: Large corporates

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Standard	55,787	40,158	—	95,945	101,794	—	119	101,913
Watch	11,432	2,265	327	14,024	14,066	1,900	—	15,966
Substandard	—	—	1,529	1,529	—	—	1,776	1,776
Problem	—	—	—	—	—	—	—	—
Gross	67,219	42,423	1,856	111,498	115,860	1,900	1,895	119,655
Less: allowance for impairment	(627)	(885)	(291)	(1,803)	(1,065)	(47)	(117)	(1,229)
Net	66,592	41,538	1,565	109,695	114,795	1,853	1,778	118,426

Bank loans to business customers: Large corporates

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Standard	55,787	40,158	—	95,945	101,794	—	119	101,913
Watch	11,432	2,265	327	14,024	14,066	1,900	—	15,966
Substandard	—	—	1,529	1,529	—	—	1,776	1,776
Problem	—	—	—	—	—	—	—	—
Gross	67,219	42,423	1,856	111,498	115,860	1,900	1,895	119,655
Less: allowance for impairment	(627)	(885)	(291)	(1,803)	(1,065)	(47)	(117)	(1,229)
Net	66,592	41,538	1,565	109,695	114,795	1,853	1,778	118,426

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group loans to business customers: SME

	2020 Stage 1	Stage 2	Stage 3	Total	2019 Stage 1	Stage 2	Stage 3	Total
Standard	328,644	35,905	3,418	367,967	433,528	2,308	2,591	438,427
Watch	240,917	133,798	49,997	424,712	338,483	92,068	19,438	449,989
Substandard	260	18,838	7,336	26,434	4,950	19,701	12,774	37,425
Problem	14	—	39,662	39,676	—	—	31,069	31,069
Gross	**569,835**	**188,541**	**100,413**	**858,789**	**776,961**	**114,077**	**65,872**	**956,910**
Less: allowance for impairment	(1,155)	(4,136)	(23,739)	(29,030)	(1,560)	(1,777)	(22,377)	(25,714)
Net	**568,680**	**184,405**	**76,674**	**829,759**	**775,401**	**112,300**	**43,495**	**931,196**

Bank loans to business customers: SME

	2020 Stage 1	Stage 2	Stage 3	Total	2019 Stage 1	Stage 2	Stage 3	Total
Standard	328,688	35,905	3,419	368,012	436,106	2,308	2,591	441,005
Watch	243,123	133,798	54,707	431,628	346,124	93,466	19,438	459,028
Substandard	260	18,838	7,801	26,899	4,950	19,700	12,774	37,424
Problem	14	—	39,661	39,675	—	—	31,417	31,417
Gross	**572,085**	**188,541**	**105,588**	**866,214**	**787,180**	**115,474**	**66,220**	**968,874**
Less: allowance for impairment	(1,136)	(4,135)	(26,410)	(31,681)	(1,540)	(1,777)	(22,901)	(26,218)
Net	**570,949**	**184,406**	**79,178**	**834,533**	**785,640**	**113,697**	**43,319**	**942,656**

Group loans to business customers: Central and local authorities and other

	2020 Stage 1	Stage 2	Stage 3	Total	2019 Stage 1	Stage 2	Stage 3	Total
Standard	111,011	(18)	—	110,993	98,926	—	1	98,927
Watch	2,935	1,560	—	4,495	2,721	654	—	3,375
Substandard	—	75	1,457	1,532	1,439	271	1,479	3,189
Problem	—	—	51	51	—	—	8	8
Gross	**113,946**	**1,617**	**1,508**	**117,071**	**103,086**	**925**	**1,488**	**105,499**
Less: allowance for impairment	(102)	(27)	(668)	(797)	(224)	(6)	(641)	(871)
Net	**113,844**	**1,590**	**840**	**116,274**	**102,862**	**919**	**847**	**104,628**

Bank loans to business customers: Central and local authorities and other

	2020 Stage 1	Stage 2	Stage 3	Total	2019 Stage 1	Stage 2	Stage 3	Total
Standard	111,011	(18)	—	110,993	98,926	—	1	98,927
Watch	2,935	1,560	—	4,495	2,721	654	—	3,375
Substandard	—	75	1,457	1,532	1,439	271	1,479	3,189
Problem	—	—	51	51	—	—	8	8
Gross	**113,946**	**1,617**	**1,508**	**117,071**	**103,086**	**925**	**1,488**	**105,499**
Less: allowance for impairment	(102)	(27)	(668)	(797)	(224)	(6)	(641)	(871)
Net	**113,844**	**1,590**	**840**	**116,274**	**102,862**	**919**	**847**	**104,628**

For analysis of debt securities according to the credit quality see Notes 12 and 15.

b) Payment delays

The tables below provide an analysis of loans and advances to customers by payment delays. The Group considers a loan to be past due when the following criteria are met: for loans to individuals – overdue amount is higher than the lower of EUR 100 or 1% of total exposure; for loans to business customers – overdue amount is higher than the lower of EUR 500 or 1% of total exposure.

Group loans to customers

	2020 Stage 1	Stage 2	Stage 3	Total	2019 Stage 1	Stage 2	Stage 3	Total
Not past due	1,258,359	241,212	61,509	1,561,080	1,296,092	116,540	25,735	1,438,367
Past due up to 30 days	23,914	5,152	6,798	35,864	46,750	8,201	6,458	61,409
Past due 31-90 days	309	5,486	3,206	9,001	339	6,890	9,591	16,820
Past due more than 90 days	—	—	42,501	42,501	—	—	36,491	36,491
Gross	**1,282,582**	**251,850**	**114,014**	**1,648,446**	**1,343,181**	**131,631**	**78,275**	**1,553,087**
Less: allowance for impairment	(7,574)	(6,989)	(28,220)	(42,783)	(8,021)	(4,003)	(26,485)	(38,509)
Net	**1,275,008**	**244,861**	**85,794**	**1,605,663**	**1,335,160**	**127,628**	**51,790**	**1,514,578**

Bank loans to customers

	2020 Stage 1	Stage 2	Stage 3	Total	2019 Stage 1	Stage 2	Stage 3	Total
Not past due	1,256,602	241,212	65,493	1,563,307	1,303,206	117,937	25,726	1,446,869
Past due up to 30 days	11,356	5,152	6,020	22,528	35,102	8,202	6,088	49,392
Past due 31-90 days	14	1,206	1,732	2,952	27	2,205	8,553	10,785
Past due more than 90 days	—	—	41,397	41,397	—	—	35,071	35,071
Gross	**1,267,972**	**247,570**	**114,642**	**1,630,184**	**1,338,335**	**128,344**	**75,438**	**1,542,117**
Less: allowance for impairment	(3,826)	(5,435)	(28,560)	(37,821)	(4,552)	(2,259)	(25,254)	(32,065)
Net	**1,264,146**	**242,135**	**86,082**	**1,592,363**	**1,333,783**	**126,085**	**50,184**	**1,510,052**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group loans to individuals (retail)

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	515,928	9,472	4,169	529,569	324,512	4,240	1,161	329,913
Past due up to 30 days	15,331	123	1,262	16,716	22,425	386	564	23,375
Past due 31-90 days	309	4,847	2,014	7,170	322	6,480	1,427	8,229
Past due more than 90 days	—	—	2,792	2,792	—	—	5,868	5,868
Gross	531,568	14,442	10,237	556,247	347,259	11,106	9,020	367,385
Less: allowance for impairment	(5,690)	(1,847)	(3,522)	(11,059)	(5,172)	(2,135)	(3,350)	(10,657)
Net	525,878	12,595	6,715	545,188	342,087	8,971	5,670	356,728

Bank loans to individuals (retail)

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	409,226	9,472	2,978	421,676	224,922	4,240	730	229,892
Past due up to 30 days	2,773	123	484	3,380	10,777	387	194	11,358
Past due 31-90 days	14	567	540	1,121	10	1,795	389	2,194
Past due more than 90 days	—	—	1,688	1,688	—	—	4,522	4,522
Gross	412,013	10,162	5,690	427,865	235,709	6,422	5,835	247,966
Less: allowance for impairment	(1,961)	(294)	(1,191)	(3,446)	(1,723)	(391)	(1,595)	(3,709)
Net	410,052	9,868	4,499	424,419	233,986	6,031	4,240	244,257

Group loans to financial institutions

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	14	4,827	—	4,841	15	3,623	—	3,638
Past due up to 30 days	—	—	—	—	—	—	—	—
Past due 31-90 days	—	—	—	—	—	—	—	—
Past due more than 90 days	—	—	—	—	—	—	—	—
Gross	14	4,827	—	4,841	15	3,623	—	3,638
Less: allowance for impairment	—	(94)	—	(94)	—	(38)	—	(38)
Net	14	4,733	—	4,747	15	3,585	—	3,600

Bank loans to financial institutions

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	102,709	4,827	—	107,536	96,500	3,623	—	100,123
Past due up to 30 days	—	—	—	—	—	—	—	—
Past due 31-90 days	—	—	—	—	—	—	—	—
Past due more than 90 days	—	—	—	—	—	—	—	—
Gross	102,709	4,827	—	107,536	96,500	3,623	—	100,123
Less: allowance for impairment	—	(94)	—	(94)	—	(38)	—	(38)
Net	102,709	4,733	—	107,442	96,500	3,585	—	100,085

Group loans to business customers

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	742,417	226,913	57,340	1,026,670	971,565	108,677	24,574	1,104,816
Past due up to 30 days	8,583	5,029	5,536	19,148	24,325	7,815	5,894	38,034
Past due 31-90 days	-	639	1,192	1,831	17	410	8,164	8,591
Past due more than 90 days	-	-	39,709	39,709	—	—	30,623	30,623
Gross	751,000	232,581	103,777	1,087,358	995,907	116,902	69,255	1,182,064
Less: allowance for impairment	(1,884)	(5,048)	(24,698)	(31,630)	(2,849)	(1,830)	(23,135)	(27,814)
Net	749,116	227,533	79,079	1,055,728	993,058	115,072	46,120	1,154,250

Bank loans to business customers

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	744,667	226,913	62,515	1,034,095	981,784	110,074	24,996	1,116,854
Past due up to 30 days	8,583	5,029	5,536	19,148	24,325	7,815	5,894	38,034
Past due 31-90 days	-	639	1,192	1,831	17	410	8,164	8,591
Past due more than 90 days	-	-	39,709	39,709	—	—	30,549	30,549
Gross	753,250	232,581	108,952	1,094,783	1,006,126	118,299	69,603	1,194,028
Less: allowance for impairment	(1,865)	(5,047)	(27,369)	(34,281)	(2,829)	(1,830)	(23,659)	(28,318)
Net	751,385	227,534	81,583	1,060,502	1,003,297	116,469	45,944	1,165,710

(All amounts are in EUR thousand, unless otherwise stated)

c) Stage 3 loans and advances to customers

The breakdown of the gross amount of Stage 3 loans and advances by class, along with the fair value of related collateral held by the Group and the Bank as security is as follows:

31 December 2020

	Group				*Bank*			
	Gross value	Allowance for impairment	Net value	Fair value of collateral	Gross value	Allowance for impairment	Net value	Fair value of collateral
Loans and advances to financial institutions	—	—	—	—	—	—	—	—
Loans to individuals (Retail):	10,237	(3,522)	6,715	5,254	5,690	(1,191)	4,499	5,254
Consumer loans	4,716	(2,424)	2,292	32	190	(114)	76	32
Mortgages	3,892	(665)	3,227	3,742	3,892	(665)	3,227	3,742
Other	1,629	(433)	1,196	1,480	1,608	(412)	1,196	1,480
Loans to business customers:	103,777	(24,698)	79,079	103,455	108,952	(27,369)	81,583	103,455
Large corporates	1,856	(291)	1,565	1,856	1,856	(291)	1,565	1,856
SME	100,413	(23,739)	76,674	100,142	105,588	(26,410)	79,178	100,142
Central and local authorities, administrative bodies and other	1,508	(668)	840	1,457	1,508	(668)	840	1,457
Total loans to customers	**114,014**	**(28,220)**	**85,794**	**108,709**	**114,642**	**(28,560)**	**86,082**	**108,709**

31 December 2019

	Group				*Bank*			
	Gross value	Allowance for impairment	Net value	Fair value of collateral	Gross value	Allowance for impairment	Net value	Fair value of collateral
Loans and advances to financial institutions	-	-	-	-	-	-	-	-
Loans to individuals (Retail):	9,020	(3,350)	5,670	5,158	5,835	(1,595)	4,240	5,158
Consumer loans	3,442	(1,937)	1,505	18	278	(203)	75	18
Mortgages	1,453	(442)	1,011	1,261	1,453	(442)	1,011	1,261
Other	4,125	(971)	3,154	3,879	4,104	(950)	3,154	3,879
Loans to business customers:	69,255	(23,135)	46,120	61,520	69,603	(23,659)	45,944	61,520
Large corporates	1,895	(117)	1,778	1,596	1,895	(117)	1,778	1,596
SME	65,872	(22,377)	43,495	58,494	66,220	(22,901)	43,319	58,494
Central and local authorities, administrative bodies and other	1,488	(641)	847	1,430	1,488	(641)	847	1,430
Total loans to customers	**78,275**	**(26,485)**	**51,790**	**66,678**	**75,438**	**(25,254)**	**50,184**	**66,678**

Impairment loss by class of financial assets for loans is disclosed in Note 13.

(All amounts are in EUR thousand, unless otherwise stated)

d) Information about loan collateral

The method for collateral valuation is selected by the Group and the Bank based on specifics of collateral and existing market conditions on the day of valuation. Based on collateral characteristics and the purpose of its valuation the following valuation methods are used: comparable sales price method or income capitalisation method. Fair values of the collateral are updated regularly in line with the Bank's procedures.

If loan is secured by several different types of collateral, priority in their recognition is based on their liquidity. Cash deposits are treated as having the highest liquidity followed by guarantees, residential real estate and then other real estate. Securities that have no active market and other assets are treated as having the lowest liquidity.

Unsecured loans also include loans secured by other types of collateral (e.g. future inflow of funds into the borrowers' Bank accounts (controlled by the Bank), third party warrantees, bills of exchange, etc.). The total amount of loans to individuals and business customers secured by the above security measure, but disclosed as unsecured as at 31 December 2019 amounted to EUR 39 million (2018: EUR 66 million). Totally unsecured loans comprise only consumer loans and loans issued by the Bank to its subsidiaries.

31 December 2020

	Group loans to individuals (retail)			
	Consumer loans	Mortgages	Other	Total
Unsecured loans	141,594	23,940	108,045	273,579
Loans collateralised by:	**15**	**274,624**	**8,029**	**282,668**
residential real estate -	—	260,656	3,821	264,477
other real estate -	—	9,955	3,124	13,079
securities -	—	—	1	1
guarantees -	—	3945	1,028	4,973
cash deposits -	—	67	—	67
other assets -	15	1	55	71
Total	**141,609**	**298,564**	**116,074**	**556,247**

	Group loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Unsecured loans	177,601	25,719	4,841	106,575	314,736
Loans collateralised by:	**681,188**	**85,779**	**—**	**10,496**	**777,463**
residential real estate -	54,795	79	—	144	55,018
other real estate -	487,984	61,480	—	2,289	551,753
securities -	1580	162	—	—	1,742
guarantees -	113,740	6,191	—	8063	127,994
cash deposits -	1,612	—	—	—	1,612
other assets -	21,477	17,867	—	—	39,344
Total	**858,789**	**111,498**	**4,841**	**117,071**	**1,092,199**

	Bank loans to individuals (retail)			
	Consumer loans	Mortgages	Other	Total
Unsecured loans	13,233	23,940	108,024	145,197
Loans collateralised by:	**15**	**274,624**	**8,029**	**282,668**
residential real estate -	—	260,656	3,821	264,477
other real estate -	—	9,955	3,124	13,079
securities -	—	—	1	1
guarantees -	—	3945	1,028	4,973
cash deposits -	—	67	—	67
other assets -	15	1	55	71
Total	**13,248**	**298,564**	**116,053**	**427,865**

	Bank loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Unsecured loans	180,316	25,719	107,536	106,575	420,146
Loans collateralised by:	**685,898**	**85,779**	**—**	**10,496**	**782,173**
residential real estate -	54,795	79	—	144	55,018
other real estate -	492,694	61,480	—	2,289	556,463
securities -	1,580	162	—	—	1,742
guarantees -	113,740	6,191	—	8,063	127,994
cash deposits -	1,612	—	—	—	1,612
other assets -	21,477	17,867	—	—	39,344
Total	**866,214**	**111,498**	**107,536**	**117,071**	**1,202,319**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

31 December 2019

Group loans to individuals (retail)

	Consumer loans	Mortgages	Other	Total
Unsecured loans	142,378	11,772	108,170	262,320
Loans collateralised by:	-	91,088	13,977	105,065
residential real estate -	-	86,986	5,846	92,832
other real estate -	-	3,509	6,947	10,456
securities -	-	14	1	15
guarantees -	-	540	1,143	1,683
cash deposits -	-	39	-	39
other assets -	-	-	40	40
Total	142,378	102,860	122,147	367,385

Group loans to business customers

	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Unsecured loans	63,983	13,295	3,638	99,734	180,650
Loans collateralised by:	892,927	106,360	-	5,765	1,005,052
residential real estate -	75,322	79	-	446	75,847
other real estate -	658,722	81,652	-	5,192	745,566
securities -	833	284	-	-	1,117
guarantees -	125,634	4,013	-	127	129,774
cash deposits -	2,190	-	-	-	2,190
other assets -	30,226	20,332	-	-	50,558
Total	956,910	119,655	3,638	105,499	1,185,702

Bank loans to individuals (retail)

	Consumer loans	Mortgages	Other	Total
Unsecured loans	22,980	11,772	108,149	142,901
Loans collateralised by:	-	91,088	13,977	105,065
residential real estate -	-	86,986	5,846	92,832
other real estate -	-	3,509	6,947	10,456
securities -	-	14	1	15
guarantees -	-	540	1,143	1,683
cash deposits -	-	39	-	39
other assets -	-	-	40	40
Total	22,980	102,860	122,126	247,966

Bank loans to business customers

	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Unsecured loans	72,334	13,295	100,123	99,734	285,486
Loans collateralised by:	896,540	106,360	-	5,765	1,008,665
residential real estate -	75,322	79	-	446	75,847
other real estate -	662,321	81,652	-	5,192	749,165
securities -	833	284	-	-	1,117
guarantees -	125,634	4,013	-	127	129,774
cash deposits -	2,190	-	-	-	2,190
other assets -	30,240	20,332	-	-	50,572
Total	968,874	119,655	100,123	105,499	1,294,151

Following tables show the distribution of LTV (loan to collateral value) ratios for the Group's loan portfolio:

Group loans to customers – LTV distribution

				2019				2019
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	445,472	130,175	53,200	628,847	490,082	71,077	19,189	580,348
50% to 60%	150,314	70,268	18,289	238,871	124,069	16,157	14,186	154,412
60% to 70%	131,262	9,826	8,689	149,777	143,398	14,777	6,583	164,758
70% to 80%	52,381	12,506	3,348	68,235	55,716	4,107	4,713	64,536
80% to 90%	49,074	5,093	6,261	60,428	32,663	578	3,127	36,368
90% to 100%	34,129	1,037	5,046	40,212	18,746	2,011	6,620	27,377
higher than 100%	68,304	12,478	13,340	94,122	95,808	2,664	19,185	117,657
no collateral	351,646	10,467	5,841	367,954	382,699	20,260	4,672	407,631
Total gross loans	1,282,582	251,850	114,014	1,648,446	1,343,181	131,631	78,275	1,553,087

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Bank loans to customers – LTV distribution

	2020				2019			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	445,472	130,174	53,200	628,846	490,082	71,077	19,189	580,348
50% to 60%	150,313	70,267	18,290	238,870	124,069	16,157	14,186	154,412
60% to 70%	131,263	9,826	8,687	149,776	143,398	14,777	6,583	164,758
70% to 80%	52,381	12,506	3,348	68,235	55,716	4,107	4,713	64,536
80% to 90%	49,074	5,093	6,261	60,428	32,663	578	3,127	36,368
90% to 100%	34,129	1,037	9,757	44,923	18,746	2,011	6,620	27,377
higher than 100%	68,303	12,479	13,805	94,587	99,573	2,664	19,533	121,770
no collateral	337,037	6,188	1,294	344,519	374,088	16,973	1,487	392,548
Total gross loans	1,267,972	247,570	114,642	1,630,184	1,338,335	128,344	75,438	1,542,117

Group loans to individuals (Retail) – LTV distribution

	2020				2019			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	116,106	6,137	1,936	124,179	42,974	2,162	331	45,467
50% to 60%	44,414	1,098	1,067	46,579	12,584	842	2,861	16,287
60% to 70%	63,143	1,380	490	65,013	18,332	1,148	237	19,717
70% to 80%	32,121	477	594	33,192	10,869	1,010	579	12,458
80% to 90%	30,305	76	217	30,598	11,165	92	269	11,526
90% to 100%	4,694	198	214	5,106	3,905	54	105	4,064
higher than 100%	2,419	442	959	3,820	5,036	646	1,097	6,779
no collateral	238,366	4,634	4,760	247,760	242,394	5,152	3,541	251,087
Total gross loans	531,568	14,442	10,237	556,247	347,259	11,106	9,020	367,385

Bank loans to individuals (Retail) – LTV distribution

	2020				2019			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	116,106	6,137	1,936	124,179	42,974	2,162	331	45,467
50% to 60%	44,414	1,098	1,067	46,579	12,584	842	2,861	16,287
60% to 70%	63,143	1,380	490	65,013	18,332	1,148	237	19,717
70% to 80%	32,121	477	594	33,192	10,869	1,010	579	12,458
80% to 90%	30,305	76	217	30,598	11,165	92	269	11,526
90% to 100%	4,694	198	214	5,106	3,905	54	105	4,064
higher than 100%	2,419	442	959	3,820	5,036	646	1,097	6,779
no collateral	118,811	354	213	119,378	130,844	468	356	131,668
Total gross loans	412,013	10,162	5,690	427,865	235,709	6,422	5,835	247,966

Group loans to individuals (Retail) : Consumer loans – LTV distribution

	2020				2019			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	—	—	—	—	—	—	—	—
50% to 60%	—	—	—	—	—	—	—	—
60% to 70%	—	—	—	—	—	—	—	—
70% to 80%	—	—	—	—	—	—	—	—
80% to 90%	—	—	—	—	—	—	—	—
90% to 100%	3,745	68	18	3,831	3,424	6	1	3,431
higher than 100%	454	27	15	496	3,494	50	17	3,561
no collateral	128,129	4,470	4,683	137,282	127,018	4,944	3,424	135,386
Total gross loans	132,328	4,565	4,716	141,609	133,936	5,000	3,442	142,378

Bank loans to individuals (Retail) : Consumer loans – LTV distribution

	2020				2019			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	—	—	—	—	—	—	—	—
50% to 60%	—	—	—	—	—	—	—	—
60% to 70%	—	—	—	—	—	—	—	—
70% to 80%	—	—	—	—	—	—	—	—
80% to 90%	—	—	—	—	—	—	—	—
90% to 100%	3,745	68	18	3,831	3,424	6	1	3,431
higher than 100%	454	27	15	496	3,494	50	17	3,561
no collateral	8,574	190	157	8,921	15,468	260	260	15,988
Total gross loans	12,773	285	190	13,248	22,386	316	278	22,980

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group loans to individuals (Retail) : Mortgages – LTV distribution

				2020				2019
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	111,029	3,638	1,726	116,393	36,101	1,635	248	37,984
50% to 60%	43,254	994	814	45,062	10,774	569	92	11,435
60% to 70%	62,574	1,376	294	64,244	16,707	1,140	104	17,951
70% to 80%	31,945	475	126	32,546	10,594	921	141	11,656
80% to 90%	30,277	74	132	30,483	10,876	91	184	11,151
90% to 100%	912	130	182	1,224	451	47	68	566
higher than 100%	1,904	79	597	2,580	1,424	240	592	2,256
no collateral	5,854	157	21	6,032	9,837	—	24	9,861
Total gross loans	287,749	6,923	3,892	298,564	96,764	4,643	1,453	102,860

Bank loans to individuals (Retail) : Mortgages – LTV distribution

				2020				2019
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	111,029	3,638	1,726	116,393	36,101	1,635	248	37,984
50% to 60%	43,254	994	814	45,062	10,774	569	92	11,435
60% to 70%	62,574	1,376	294	64,244	16,707	1,140	104	17,951
70% to 80%	31,945	475	126	32,546	10,594	921	141	11,656
80% to 90%	30,277	74	132	30,483	10,876	91	184	11,151
90% to 100%	912	130	182	1,224	451	47	68	566
higher than 100%	1,904	79	597	2,580	1,424	240	592	2,256
no collateral	5,854	157	21	6,032	9,837	—	24	9,861
Total gross loans	287,749	6,923	3,892	298,564	96,764	4,643	1,453	102,860

Group loans to individuals (Retail) : Other – LTV distribution

				2020				2019
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	5,077	2,499	210	7,786	6,873	527	83	7,483
50% to 60%	1,160	104	253	1,517	1,810	273	2,769	4,852
60% to 70%	569	4	196	769	1,625	8	133	1,766
70% to 80%	176	2	468	646	275	89	438	802
80% to 90%	28	2	85	115	289	1	85	375
90% to 100%	37	-	14	51	30	1	36	67
higher than 100%	61	336	347	744	118	356	488	962
no collateral	104,383	7	56	104,446	105,539	208	93	105,840
Total gross loans	111,491	2,954	1,629	116,074	116,559	1,463	4,125	122,147

Bank loans to individuals (Retail) : Other – LTV distribution

				2020				2019
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	5,077	2,499	210	7,786	6,873	527	83	7,483
50% to 60%	1,160	104	253	1,517	1,810	273	2,769	4,852
60% to 70%	569	4	196	769	1,625	8	133	1,766
70% to 80%	176	2	468	646	275	89	438	802
80% to 90%	28	2	85	115	289	1	85	375
90% to 100%	37	-	14	51	30	1	36	67
higher than 100%	61	336	347	744	118	356	488	962
no collateral	104,383	7	35	104,425	105,539	208	72	105,819
Total gross loans	111,491	2,954	1,608	116,053	116,559	1,463	4,104	122,126

Group loans to financial institutions – LTV distribution

				2020				2019
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	—	2,970	—	2,970	—	—	—	—
50% to 60%	—	—	—	—	—	—	—	—
60% to 70%	—	—	—	—	—	—	—	—
70% to 80%	—	—	—	—	—	—	—	—
80% to 90%	—	—	—	—	—	—	—	—
90% to 100%	—	—	—	—	—	—	—	—
higher than 100%	—	—	—	—	—	—	—	—
no collateral	14	1,857	—	1,871	15	3,623	—	3,638
Total gross loans	14	4,827	—	4,841	15	3,623	—	3,638

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Bank loans to financial institutions – LTV distribution

				2020				2019
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	—	2,970	—	2,970	—	—	—	—
50% to 60%	—	—	—	—	—	—	—	—
60% to 70%	—	—	—	—	—	—	—	—
70% to 80%	—	—	—	—	—	—	—	—
80% to 90%	—	—	—	—	—	—	—	—
90% to 100%	—	—	—	—	—	—	—	—
higher than 100%	—	—	—	—	—	—	—	—
no collateral	102,709	1,857	—	104,566	96,500	3,623	—	100,123
Total gross loans	102,709	4,827	—	107,536	96,500	3,623	—	100,123

Group loans to business customers – LTV distribution

				2020				2019
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	329,366	121,068	51,264	501,698	447,108	68,915	18,858	534,881
50% to 60%	105,900	69,170	17,222	192,292	111,485	15,315	11,325	138,125
60% to 70%	68,119	8,446	8,199	84,764	125,066	13,629	6,346	145,041
70% to 80%	20,260	12,029	2,754	35,043	44,847	3,097	4,134	52,078
80% to 90%	18,769	5,017	6,044	29,830	21,498	486	2,858	24,842
90% to 100%	29,435	839	4,832	35,106	14,841	1,957	6,515	23,313
higher than 100%	65,885	12,036	12,381	90,302	90,772	2,018	18,088	110,878
no collateral	113,266	3,976	1,081	118,323	140,290	11,485	1,131	152,906
Total gross loans	751,000	232,581	103,777	1,087,358	995,907	116,902	69,255	1,182,064

Bank loans to business customers – LTV distribution

				2020				2019
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	329,366	121,067	51,264	501,697	447,108	68,915	18,858	534,881
50% to 60%	105,899	69,169	17,223	192,291	111,485	15,315	11,325	138,125
60% to 70%	68,120	8,446	8,197	84,763	125,066	13,629	6,346	145,041
70% to 80%	20,260	12,029	2,754	35,043	44,847	3,097	4,134	52,078
80% to 90%	18,769	5,017	6,044	29,830	21,498	486	2,858	24,842
90% to 100%	29,435	839	9,543	39,817	14,841	1,957	6,515	23,313
higher than 100%	65,884	12,037	12,846	90,767	94,537	2,018	18,436	114,991
no collateral	115,517	3,977	1,081	120,575	146,744	12,882	1,131	160,757
Total gross loans	753,250	232,581	108,952	1,094,783	1,006,126	118,299	69,603	1,194,028

Group loans to business customers: Large corporates – LTV distribution

				2020				2019
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	18,622	23,384	327	42,333	43,310	1,618	1,477	46,405
50% to 60%	4,870	13,289	1,529	19,688	5,903	97	119	6,119
60% to 70%	1,749	—	—	1,749	16,378	80	—	16,458
70% to 80%	6,850	—	—	6,850	4,969	—	—	4,969
80% to 90%	9,643	—	—	9,643	1,133	—	—	1,133
90% to 100%	4,245	—	—	4,245	1,036	—	—	1,036
higher than 100%	18,275	5,750	—	24,025	39,215	105	—	39,320
no collateral	2,965	—	—	2,965	3,916	—	299	4,215
Total gross loans	67,219	42,423	1,856	111,498	115,860	1,900	1,895	119,655

Bank loans to business customers: Large corporates – LTV distribution

				2020				2019
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	18,622	23,384	327	42,333	43,310	1,618	1,477	46,405
50% to 60%	4,870	13,289	1,529	19,688	5,903	97	119	6,119
60% to 70%	1,749	—	—	1,749	16,378	80	—	16,458
70% to 80%	6,850	—	—	6,850	4,969	—	—	4,969
80% to 90%	9,643	—	—	9,643	1,133	—	—	1,133
90% to 100%	4,245	—	—	4,245	1,036	—	—	1,036
higher than 100%	18,275	5,750	—	24,025	39,215	105	—	39,320
no collateral	2,965	—	—	2,965	3,916	—	299	4,215
Total gross loans	67,219	42,423	1,856	111,498	115,860	1,900	1,895	119,655

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group loans to business customers: SME – LTV distribution

				2020				2019
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	310,060	97,566	50,937	458,563	401,512	66,962	17,381	485,855
50% to 60%	101,030	55,240	15,693	171,963	105,582	15,138	11,206	131,926
60% to 70%	66,318	8,446	8,199	82,963	108,017	13,549	6,346	127,912
70% to 80%	13,398	11,153	2,754	27,305	39,878	3,097	4,134	47,109
80% to 90%	9,057	5,017	4,587	18,661	19,414	486	1,428	21,328
90% to 100%	25,136	839	4,832	30,807	13,805	1,957	6,515	22,277
higher than 100%	37,052	6,286	12,381	55,719	51,400	1,815	18,088	71,303
no collateral	7,784	3,994	1,030	12,808	37,353	11,073	774	49,200
Total gross loans	569,835	188,541	100,413	858,789	776,961	114,077	65,872	956,910

Bank loans to business customers: SME – LTV distribution

				2020				2019
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	310,060	97,565	50,937	458,562	401,512	66,962	17,381	485,855
50% to 60%	101,029	55,239	15,694	171,962	105,582	15,138	11,206	131,926
60% to 70%	66,319	8,446	8,197	82,962	108,017	13,549	6,346	127,912
70% to 80%	13,398	11,153	2,754	27,305	39,878	3,097	4,134	47,109
80% to 90%	9,057	5,017	4,587	18,661	19,414	486	1,428	21,328
90% to 100%	25,136	839	9,543	35,518	13,805	1,957	6,515	22,277
higher than 100%	37,051	6,287	12,846	56,184	55,165	1,815	18,436	75,416
no collateral	10,035	3,995	1,030	15,060	43,807	12,470	774	57,051
Total gross loans	572,085	188,541	105,588	866,214	787,180	115,474	66,220	968,874

Group loans to business customers: Central and local authorities, administrative bodies and other – LTV distribution

				2020				2019
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	684	118	—	802	2,286	335	—	2,621
50% to 60%	—	641	—	641	—	80	—	80
60% to 70%	52	—	—	52	671	—	—	671
70% to 80%	12	876	—	888	—	—	—	—
80% to 90%	69	—	1,457	1,526	951	—	1,430	2,381
90% to 100%	54	—	—	54	—	—	—	—
higher than 100%	10,558	—	—	10,558	157	98	—	255
no collateral	102,517	(18)	51	102,550	99,021	412	58	99,491
Total gross loans	113,946	1,617	1,508	117,071	103,086	925	1,488	105,499

Bank loans to business customers: Central and local authorities, administrative bodies and other – LTV distribution

				2020				2019
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	684	118	—	802	2,286	335	—	2,621
50% to 60%	—	641	—	641	—	80	—	80
60% to 70%	52	—	—	52	671	—	—	671
70% to 80%	12	876	—	888	—	—	—	—
80% to 90%	69	—	1,457	1,526	951	—	1,430	2,381
90% to 100%	54	—	—	54	—	—	—	—
higher than 100%	10,558	—	—	10,558	157	98	—	255
no collateral	102,517	(18)	51	102,550	99,021	412	58	99,491
Total gross loans	113,946	1,617	1,508	117,071	103,086	925	1,488	105,499

(All amounts are in EUR thousand, unless otherwise stated)

e) Loans to customers against which no impairment loss allowance is recognized

Loans to customers contain loans against which no loss impairment loss allowance was recognized because of sufficiency of collateral. Such loans are summarized in the following table:

Group, as at 31 December 2020				*Gross value*	
	Stage 1	Stage 2	Stage 3	Total	LTV
Loans to financial institutions	15	—	—	102,710	0 %
Loans to individuals:	182,261	7,408	2,855	192,506	26 %
Mortgages -	178,149	5,084	2,276	185,510	44 %
Other-	4,112	2,324	579	6,996	20 %
Loans to business customers:	527,221	68,642	13,794	609,657	30 %
Central and local authorities, administrative bodies and other -	676	126	—	802	29 %
Large corporates -	21,573	3,131	327	25,031	24 %
SME -	376,954	76,089	47,367	502,680	30 %
Total	686,444	86,754	50,549	823,747	30 %

Group, as at 31 December 2019				*Gross value*	
	Stage 1	Stage 2	Stage 3	Total	LTV
Loans to financial institutions	15	—	—	15	0 %
Loans to individuals:	52,717	3,471	839	57,027	29 %
Mortgages -	42,866	2,677	391	45,934	38 %
Other-	9,851	794	448	11,093	20 %
Loans to business customers:	527,221	68,642	13,794	609,657	30 %
Central and local authorities, administrative bodies and other -	2,928	335	—	3,263	16 %
Large corporates -	21,872	271	299	22,442	38 %
SME -	502,421	68,036	13,495	583,952	35 %
Total	579,953	72,113	14,633	666,699	30 %

f) Purchased or originated credit-impaired (POCI) loans to customers

Loans to customers contain POCI loans to customers. Major part of these loans were acquired under the transaction transfer of assets, rights, transactions and liabilities of Ūkio Bankas under a discount over their nominal value due to their non-performing status at the time of transfer. Details on POCI loans are summarized in the following table:

	As at 31 December 2020			*As at 31 December 2019*		
	Gross value	Impairment	Carrying value	Gross value	Impairment	Carrying value
Loans to financial institutions	—	—	—	—	—	—
Loans to individuals:	183	(58)	125	194	(9)	185
Consumer loans -	—	—	—	—	—	—
Mortgages -	170	(55)	115	178	(9)	169
Other-	13	(3)	10	16	—	16
Loans to business customers:	2,633	(933)	1,700	3,245	(769)	2,476
Central and local authorities, administrative bodies and other -	—	—	—	—	—	—
Large corporates -	—	—	—	—	—	—
SME -	2,633	(933)	1,700	3,245	(769)	2,476
Total	**2,815**	**(991)**	**1,825**	**3,439**	**(778)**	**2,661**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

g) Modifications of loans to customers

Group follows legal treatment for loan contract amendments, i.e. amended loan contracts are accounted for as modifications.

The amortized cost before modification of loans with lifetime ECL whose cash flows were modified during 2020 as part of Group's restructuring activities was EUR 134,468 thousand, these modifications resulted in a net loss of EUR 59 thousand. The amortized cost before modification of loans with lifetime ECL whose cash flows were modified during 2019 as part of Group's restructuring activities was EUR 68,107 thousand, these modifications resulted in a net gain of EUR 101 thousand.

In April 2020 the Bank joined the moratoria initiated by the Association of Lithuanian Banks (ALB) that offered principal repayment deferral solutions for individual and business customers who have financial difficulties due to Covid-19 pandemic. For qualifying customers, principal amount payment deferrals up to 6 months were offered (for mortgage loans to private individuals - up to 12 months). The Group also offered non-moratoria compliant relief measures to the customers that did not comply with ALB moratoria criteria, or ALB moratoria measures were found insufficient. Extension measures had no consequence on staging of ALB moratoria-compliant loans and finance lease receivables (regular staging criteria were applied), for loans and finance lease receivables that were modified using non-moratoria compliant relief measures, a significant increase in credit risk has been recognized and they have been assigned to Stage 2 (or worse).

During the period in which moratoria measures were offered to customers (until 30 September 2020), Group's approved applications for modification of payment schedules based on Covid-19 implications on the borrowers amounted to EUR 246,184 thousand, of which EUR 89,874 thousand were according to ALB moratoria conditions. As interest rate is not modified as a condition for moratoria, no material result from contract modifications was recorded.

At 31 December 2020, most of the loans and finance lease receivables with payment extension measures have returned to their full payment schedule. The following table present the gross values of the loans and finance lease receivables for which payment deferrals have not yet ended.

			2020
	ALB compliant moratoria	Other relief measures	Total
Business customers	2,965	54,048	57,013
Individuals	1,425	3,871	5,296
Gross	**4,390**	**57,919**	**62,309**

1.6. Finance lease receivables

Finance lease receivables are summarised as follows:

		2020		*2019*
	Group	Bank	Group	Bank
Business customers	133,358	132,448	136,144	135,348
Individuals	26,684	26,684	25,414	25,379
Gross	**160,042**	**159,132**	**161,558**	**160,727**
Subtract: Allowance for impairment	(4,585)	(3,842)	(3,961)	(3,187)
Net	**155,457**	**155,290**	**157,597**	**157,540**

During the year ended 31 December 2020, finance lease receivables portfolio of the Group decreased by 1.4% (2019: increased by 27.5%). Total impairment provisions for finance lease receivables of the Group amount to EUR 4,585 thousand (2019: EUR 3,961 thousand) and account for 2.86% of the respective portfolio (2019: 2.45%).

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

a) Credit grades of finance lease receivables

The bank uses internal grade system that has 5 internal grades (1 – best, 5 – worst). Standard finance lease receivable is a receivable when the borrower's financial performance is either very good or good (i.e. internal grades 1 or 2). Watch finance lease receivable is a receivable when the borrower's financial performance is satisfactory (i.e. internal grade 3). Substandard finance lease receivable is a receivable when the borrower's financial performance is poor or bad (i.e. internal grade 4 or 5). Problem finance lease receivable is a receivable when the payment is overdue for over 90 days, or the borrower is bankrupt, or the contract is terminated. Finance lease receivables from individuals are assessed based on application scorings when decision is made. After they are granted they are monitored based on their past due status.

Group finance lease receivables

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	76,939	3,020	319	80,278	73,349	964	278	74,591
Watch	41,317	25,723	1,316	68,356	58,679	13,101	5,686	77,466
Substandard	384	2,645	6,299	9,328	740	1,935	544	3,219
Problem	—	—	2,080	2,080	—	—	6,282	6,282
Gross	118,640	31,388	10,014	160,042	132,768	16,000	12,790	161,558
Less: allowance for impairment	(800)	(931)	(2,854)	(4,585)	(693)	(445)	(2,823)	(3,961)
Net	117,840	30,457	7,160	155,457	132,075	15,555	9,967	157,597

Bank finance lease receivables

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	76,826	3,020	319	80,165	73,348	964	279	74,591
Watch	41,317	25,723	1,316	68,356	58,677	13,101	5,686	77,464
Substandard	384	2,645	6,299	9,328	739	1,935	544	3,218
Problem	—	—	1,283	1,283	—	—	5,454	5,454
Gross	118,527	31,388	9,217	159,132	132,764	16,000	11,963	160,727
Less: allowance for impairment	(799)	(931)	(2,112)	(3,842)	(692)	(445)	(2,050)	(3,187)
Net	117,728	30,457	7,105	155,290	132,072	15,555	9,913	157,540

Group finance lease receivables – business customers

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	52,302	2,292	294	54,888	50,008	426	258	50,692
Watch	40,781	25,577	1,316	67,674	57,882	12,928	5,686	76,496
Substandard	154	2,464	6,149	8,767	351	1,918	544	2,813
Problem	—	—	2,029	2,029	—	—	6,143	6,143
Gross	93,237	30,333	9,788	133,358	108,241	15,272	12,631	136,144
Less: allowance for impairment	(591)	(899)	(2,720)	(4,210)	(468)	(405)	(2,697)	(3,570)
Net	92,646	29,434	7,068	129,148	107,773	14,867	9,934	132,574

Bank finance lease receivables – business customers

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	52,189	2,292	294	54,775	50,008	426	258	50,692
Watch	40,781	25,577	1,316	67,674	57,882	12,928	5,686	76,496
Substandard	154	2,464	6,149	8,767	351	1,918	544	2,813
Problem	—	—	1,232	1,232	—	—	5,347	5,347
Gross	93,124	30,333	8,991	132,448	108,241	15,272	11,835	135,348
Less: allowance for impairment	(590)	(899)	(1,978)	(3,467)	(468)	(405)	(1,955)	(2,828)
Net	92,534	29,434	7,013	128,981	107,773	14,867	9,880	132,520

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group finance lease receivables – individuals

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	24,637	728	25	25,390	23,341	538	20	23,899
Watch	536	146	—	682	797	173	—	970
Substandard	230	181	150	561	389	17	—	406
Problem	—	—	51	51	—	—	139	139
Gross	25,403	1,055	226	26,684	24,527	728	159	25,414
Less: allowance for impairment	(209)	(32)	(134)	(375)	(225)	(40)	(126)	(391)
Net	25,194	1,023	92	26,309	24,302	688	33	25,023

Bank finance lease receivables – individuals

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	24,637	728	25	25,390	23,340	538	21	23,899
Watch	536	146	—	682	795	173	—	968
Substandard	230	181	150	561	388	17	—	405
Problem	—	—	51	51	—	—	107	107
Gross	25,403	1,055	226	26,684	24,523	728	128	25,379
Less: allowance for impairment	(209)	(32)	(134)	(375)	(224)	(40)	(95)	(359)
Net	25,194	1,023	92	26,309	24,299	688	33	25,020

b) Payment delays of finance lease receivables

Group finance lease receivables

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	112,105	29,253	6,657	148,015	120,650	11,808	6,130	138,588
Past due up to 30 days	6,535	1,522	1,093	9,150	12,118	2,555	309	14,982
Past due 31-90 days	—	613	199	812	—	1,637	135	1,772
Past due more than 90 days	—	—	2,065	2,065	—	—	6,216	6,216
Gross	118,640	31,388	10,014	160,042	132,768	16,000	12,790	161,558
Less: allowance for impairment	(800)	(931)	(2,854)	(4,585)	(693)	(445)	(2,823)	(3,961)
Net	117,840	30,457	7,160	155,457	132,075	15,555	9,967	157,597

Bank finance lease receivables

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	111,992	29,253	6,659	147,904	120,648	11,808	6,130	138,586
Past due up to 30 days	6,535	1,522	1,092	9,149	12,116	2,555	310	14,981
Past due 31-90 days	—	613	199	812	—	1,637	135	1,772
Past due more than 90 days	—	—	1,267	1,267	—	—	5,388	5,388
Gross	118,527	31,388	9,217	159,132	132,764	16,000	11,963	160,727
Less: allowance for impairment	(799)	(931)	(2,112)	(3,842)	(692)	(445)	(2,050)	(3,187)
Net	117,728	30,457	7,105	155,290	132,072	15,555	9,913	157,540

Group finance lease receivables – business customers

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	88,880	28,602	6,515	123,997	99,007	11,692	6,112	116,811
Past due up to 30 days	4,357	1,483	1,075	6,915	9,234	2,511	305	12,050
Past due 31-90 days	—	248	185	433	—	1,069	135	1,204
Past due more than 90 days	—	—	2,013	2,013	—	—	6,079	6,079
Gross	93,237	30,333	9,788	133,358	108,241	15,272	12,631	136,144
Less: allowance for impairment	(591)	(899)	(2,720)	(4,210)	(468)	(405)	(2,697)	(3,570)
Net	92,646	29,434	7,068	129,148	107,773	14,867	9,934	132,574

Bank finance lease receivables – business customers

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	88,767	28,602	6,517	123,886	99,007	11,692	6,112	116,811
Past due up to 30 days	4,357	1,483	1,074	6,914	9,234	2,511	305	12,050
Past due 31-90 days	—	248	185	433	—	1,069	135	1,204
Past due more than 90 days	—	—	1,215	1,215	—	—	5,283	5,283
Gross	93,124	30,333	8,991	132,448	108,241	15,272	11,835	135,348
Less: allowance for impairment	(590)	(899)	(1,978)	(3,467)	(468)	(405)	(1,955)	(2,828)
Net	92,534	29,434	7,013	128,981	107,773	14,867	9,880	132,520

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group finance lease receivables – individuals

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	23,225	651	142	24,018	21,643	116	18	21,777
Past due up to 30 days	2,178	39	18	2,235	2,884	44	4	2,932
Past due 31-90 days	—	365	14	379	—	568	—	568
Past due more than 90 days	—	—	52	52	—	—	137	137
Gross	25,403	1,055	226	26,684	24,527	728	159	25,414
Less: allowance for impairment	(209)	(32)	(134)	(375)	(225)	(40)	(126)	(391)
Net	25,194	1,023	92	26,309	24,302	688	33	25,023

Bank finance lease receivables – individuals

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	23,225	651	142	24,018	21,641	116	18	21,775
Past due up to 30 days	2,178	39	18	2,235	2,882	44	5	2,931
Past due 31-90 days	—	365	14	379	—	568	—	568
Past due more than 90 days	—	—	52	52	—	—	105	105
Gross	25,403	1,055	226	26,684	24,523	728	128	25,379
Less: allowance for impairment	(209)	(32)	(134)	(375)	(224)	(40)	(95)	(359)
Net	25,194	1,023	92	26,309	24,299	688	33	25,020

c) Stage 3 Finance lease receivables

31 December 2020

				Group				Bank
	Gross value	Allowance for impairment	Net value	Fair value of collateral	Gross value	Allowance for impairment	Net value	Fair value of collateral
31 December 2020:								
Business customers	9,788	(2,720)	7,068	8,724	8,991	(1,978)	7,013	8,724
Individuals	226	(134)	92	199	226	(134)	92	199
Total finance lease receivables	10,014	(2,854)	7,160	8,923	9,217	(2,112)	7,105	8,923

31 December 2019

				Group				Bank
	Gross value	Allowance for impairment	Net value	Fair value of collateral	Gross value	Allowance for impairment	Net value	Fair value of collateral
31 December 2019:								
Business customers	12,631	(2,697)	9,934	11,687	11,835	(1,955)	9,880	11,687
Individuals	159	(126)	33	120	128	(95)	33	120
Total finance lease receivables	12,790	(2,823)	9,967	11,807	11,963	(2,050)	9,913	11,807

d) Information about risk mitigation measures for finance lease receivables

Upon initial recognition of financial lease receivables, the fair value of risk mitigation measures is based on valuation approaches commonly used for the corresponding types of assets. Market values are used for real estate and movable assets serving as risk mitigation measures. In subsequent periods, the fair value of risk mitigation measures is updated based on their depreciation rates.

If exposure is secured by several different types of risk mitigation measures, priority in their recognition is based on their liquidity. Transport vehicles are treated as having highest liquidity followed by residential real estate and then other real estate. Equipment and other assets are treated as having lowest liquidity.

The lender remains the owner of the leased object. Therefore, in case of customer default it is able to gain control on the risk mitigation measures and realize them in rather short period.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Following tables present the lower of lease receivable and collateral amount per agreement.

The Group

	2020			2019		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Unsecured finance lease receivables	628	2,679	3,307	599	3,217	3,816
Finance lease receivables secured by:						
transport vehicles -	25,343	86,915	112,258	23,718	83,185	106,903
real estate -	602	20,759	21,361	926	25,983	26,909
equipment and other -	111	23,005	23,116	171	23,759	23,930
Total	26,684	133,358	160,042	25,414	136,144	161,558

The Bank

	2020			2019		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Unsecured finance lease receivables	628	2,679	3,307	599	3,217	3,816
Finance lease receivables secured by:						
transport vehicles -	25,343	86,915	112,258	23,718	83,185	106,903
real estate -	602	20,759	21,361	895	25,983	26,878
equipment and other -	111	22,095	22,206	167	22,963	23,130
Total	26,684	132,448	159,132	25,379	135,348	160,727

The following tables present the LTV distributions of finance lease receivables:

Group finance lease receivables – LTV distribution

	2020				2019			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	59,025	23,145	6,914	89,084	77,912	8,450	8,961	95,323
50% to 60%	20,299	1,335	314	21,948	13,752	1,545	424	15,721
60% to 70%	15,312	2,062	716	18,090	15,172	1,513	450	17,135
70% to 80%	10,417	2,260	189	12,866	12,267	1,969	669	14,905
80% to 90%	7,241	1,027	210	8,478	8,802	1,613	727	11,142
90% to 100%	3,477	657	202	4,336	2,949	448	437	3,834
higher than 100%	2,523	694	1,241	4,458	1,363	452	990	2,805
no collateral	346	208	228	782	551	10	132	693
Total gross loans	118,640	31,388	10,014	160,042	132,768	16,000	12,790	161,558

Bank finance lease receivables – LTV distribution

	2020				2019			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	59,025	23,145	6,914	89,084	77,912	8,450	8,961	95,323
50% to 60%	20,299	1,335	314	21,948	13,752	1,545	424	15,721
60% to 70%	15,312	2,062	716	18,090	15,172	1,513	450	17,135
70% to 80%	10,417	2,260	189	12,866	12,267	1,969	669	14,905
80% to 90%	7,241	1,027	210	8,478	8,802	1,613	727	11,142
90% to 100%	3,477	657	202	4,336	2,949	448	437	3,834
higher than 100%	2,523	694	444	3,661	1,363	452	194	2,009
no collateral	233	208	228	669	547	10	101	658
Total gross loans	118,527	31,388	9,217	159,132	132,764	16,000	11,963	160,727

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group finance lease receivables: Individuals – LTV distribution

				2020				2019
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	17,450	841	152	18,443	15,987	372	37	16,396
50% to 60%	2,010	26	15	2,051	2,191	78	55	2,324
60% to 70%	1,783	36	—	1,819	1,693	31	—	1,724
70% to 80%	1,429	82	9	1,520	1,430	88	—	1,518
80% to 90%	1,067	25	9	1,101	1,099	81	6	1,186
90% to 100%	561	3	—	564	858	46	3	907
higher than 100%	923	36	20	979	1,058	25	24	1,107
no collateral	180	6	21	207	211	7	34	252
Total gross loans	25,403	1,055	226	26,684	24,527	728	159	25,414

Bank finance lease receivables: Individuals – LTV distribution

				2020				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	17,450	841	152	18,443	15,987	372	37	16,396
50% to 60%	2,010	26	15	2,051	2,191	78	55	2,324
60% to 70%	1,783	36	—	1,819	1,693	31	—	1,724
70% to 80%	1,429	82	9	1,520	1,430	88	—	1,518
80% to 90%	1,067	25	9	1,101	1,099	81	6	1,186
90% to 100%	561	3	—	564	858	46	3	907
higher than 100%	923	36	20	979	1,058	25	24	1,107
no collateral	180	6	21	207	207	7	3	217
Total gross loans	25,403	1,055	226	26,684	24,523	728	128	25,379

Group finance lease receivables: Business customers – LTV distribution

				2020				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	41,575	22,304	6,762	70,641	61,925	8,078	8,924	78,927
50% to 60%	18,289	1,309	299	19,897	11,561	1,467	369	13,397
60% to 70%	13,529	2,026	716	16,271	13,479	1,482	450	15,411
70% to 80%	8,988	2,178	180	11,346	10,837	1,881	669	13,387
80% to 90%	6,174	1,002	201	7,377	7,703	1,532	721	9,956
90% to 100%	2,916	654	202	3,772	2,091	402	434	2,927
higher than 100%	1,600	658	1,221	3,479	305	427	966	1,698
no collateral	166	202	207	575	340	3	98	441
Total gross loans	93,237	30,333	9,788	133,358	108,241	15,272	12,631	136,144

Bank finance lease receivables: Business customers – LTV distribution

				2020				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	41,575	22,304	6,762	70,641	61,925	8,078	8,924	78,927
50% to 60%	18,289	1,309	299	19,897	11,561	1,467	369	13,397
60% to 70%	13,529	2,026	716	16,271	13,479	1,482	450	15,411
70% to 80%	8,988	2,178	180	11,346	10,837	1,881	669	13,387
80% to 90%	6,174	1,002	201	7,377	7,703	1,532	721	9,956
90% to 100%	2,916	654	202	3,772	2,091	402	434	2,927
higher than 100%	1,600	658	424	2,682	305	427	170	902
no collateral	53	202	207	462	340	3	98	441
Total gross loans	93,124	30,333	8,991	132,448	108,241	15,272	11,835	135,348

(All amounts are in EUR thousand, unless otherwise stated)

e) Finance lease receivables against which no impairment loss allowance is recognized

Finance lease receivables contain receivables against which no loss impairment loss allowance was recognized because of sufficiency of collateral. Such receivables are summarized in the following table:

At 31 December 2020:				*Gross value*	
	Stage 1	Stage 2	Stage 3	Total	LTV
Business customers	21,523	11,060	2,619	35,202	26 %
Individuals	3,592	463	23	4,078	23 %
Total	25,115	11,523	2,642	39,280	25 %

At 31 December 2019:				*Gross value*	
	Stage 1	Stage 2	Stage 3	Total	LTV
Business customers	24,075	4,011	8,447	36,533	26 %
Individuals	3,997	97	16	4,110	23 %
Total	28,072	4,108	8,463	40,643	25 %

1.7. Other financial assets

Other financial assets consist of amounts receivable. Their performance is monitored based on the past due status.

	The Group					
			2020			2019
	Individuals	Business customers	Total	Individuals	Business customers	Total
Stage 1	292	4,498	4,790	644	7,676	8,320
Stage 2	—	16	16	—	15	15
Stage 3	5	45	50	7	50	57
Gross	297	4,559	4,856	651	7,741	8,392
Less: allowance for impairment	(5)	(156)	(161)	(16)	(501)	(517)
Net	292	4,403	4,695	635	7,240	7,875

	The Bank					
			2020			2019
	Individuals	Business customers	Total	Individuals	Business customers	Total
Stage 1	292	4,079	4,371	496	7,166	7,662
Stage 2	—	16	16	—	15	15
Stage 3	—	43	43	7	50	57
Gross	292	4,138	4,430	503	7,231	7,734
Less: allowance for impairment	—	(153)	(153)	(7)	(498)	(505)
Net	292	3,985	4,277	496	6,733	7,229

(All amounts are in EUR thousand, unless otherwise stated)

1.8. Concentration of risks of financial assets with credit risk exposure

Industry sectors

The following table breaks down the main credit exposures at their carrying amounts, as categorized by the industry sectors of our counterparties.

Group	*Financial intermediation*	*Wholesale and retail*	*Manufacturing*	*Real estate and rent*	*Construction*	*Agriculture, hunting and forestry*	*Public administration and defence, compulsory social security*	*Transport, storage and communication*	*Health and social work*	*Loans to individuals*	*Other*	*Total*
At 31 December 2020:												
Cash equivalents	13,107	-	-	-	-	-	349,981	-	-	-	-	363,088
Loans and advances to banks	1,598	-	-	-	-	-	-	-	-	-	-	1,598
Loans and advances to customers:	11,587	133,003	171,164	204,425	67,926	107,598	89,294	69,225	30,618	545,188	175,635	1,605,663
Loans and advances to financial institutions	4,747	-	-	-	-	-	-	-	-	-	-	4,747
Loans to individuals (Retail):	-	-	-	-	-	-	-	-	-	545,188	-	545,188
Consumer loans -	-	-	-	-	-	-	-	-	-	133,517	-	133,517
Mortgages -	-	-	-	-	-	-	-	-	-	297,140	-	297,140
Other -	-	-	-	-	-	-	-	-	-	114,531	-	114,531
Loans to business customers:	6,840	133,003	171,164	204,425	67,926	107,598	89,294	69,225	30,618	-	175,635	1,055,728
Large corporates -	-	-	68,935	-	13,414	-	-	3,571	13,928	-	9,847	109,695
SME -	6,840	132,977	102,211	204,393	54,486	107,598	(10,784)	65,645	14,283	-	152,110	829,759
Central and local authorities, administrative bodies and other -	-	26	18	32	26	-	100,078	9	2,407	-	13,678	116,274
Finance lease receivables:	1,223	16,672	11,949	7,352	7,914	8,830	213	24,451	2,157	26,308	48,388	155,457
Individuals -	-	-	-	-	-	-	-	-	-	26,308	-	26,308
Business customers -	1,223	16,672	11,949	7,352	7,914	8,830	213	24,451	2,157	-	48,388	129,149
Securities in the trading book:	24,638	478	500	23	734	518	6,509	58	113	-	3,497	37,068
Debt securities -	3,527	478	499	-	734	518	6,509	-	100	-	2,175	14,540
Equity securities -	21,111	-	1	23	-	-	-	58	13	-	1,322	22,528
Derivative financial instruments	289	28	26	-	-	-	-	-	-	80	22	445
Investment securities at fair value:	15,528	-	-	-	-	-	17,709	-	938	-	167	34,342
Equity securities -	3,746	-	-	-	-	-	-	-	-	-	167	3,913
Debt securities -	11,782	-	-	-	-	-	17,709	-	938	-	-	30,429
Investment securities at amortized cost:	57,085	1,610	45,496	1,416	-	-	532,500	3,013	3,218	-	65,116	709,454
Debt securities -	57,085	1,610	45,496	1,416	-	-	532,500	3,013	3,218	-	65,116	709,454
Other financial assets	444	18	87	24	10	12	54	10	4	292	3,740	4,695
Credit risk exposures relating to off –balance sheet items are as follows:												
Financial guarantees -	9,126	9,750	2,941	761	16,572	229	150	1,109	34	42	8,076	48,790
Letters of credit -	-	116	2,464	-	319	-	-	-	-	-	623	3,522
Loan commitments and other credit related liabilities -	70	28,468	29,116	32,077	44,308	5,520	5,299	16,392	3,214	27,681	89,620	281,765
Total at 31 December2020	134,695	190,143	263,743	246,078	137,783	122,707	1,001,709	114,258	40,296	599,591	394,884	3,245,887
At 31 December 2019:												
Cash equivalents	31,411	-	-	-	-	-	90,184	-	-	-	-	121,595
Loans and advances to banks	280	-	-	-	-	-	-	-	-	-	-	280
Loans and advances to customers:	32,999	157,436	184,503	221,495	95,366	124,847	97,568	58,748	31,724	356,728	153,164	1,514,578
Loans and advances to financial institutions	3,600	-	-	-	-	-	-	-	-	-	-	3,600
Loans to individuals (Retail):	-	-	-	-	-	-	-	-	-	356,728	-	356,728
Consumer loans -	-	-	-	-	-	-	-	-	-	134,519	-	134,519
Mortgages -	-	-	-	-	-	-	-	-	-	101,727	-	101,727
Other -	-	-	-	-	-	-	-	-	-	120,482	-	120,482
Loans to business customers:	29,399	157,436	184,503	221,495	95,366	124,847	97,568	58,748	31,724	-	153,164	1,154,250
Large corporates -	-	275	73,038	-	21,436	-	-	233	15,186	-	8,258	118,426
SME -	29,399	157,128	111,465	221,044	73,880	124,847	499	58,515	13,982	-	140,437	931,196
Central and local authorities, administrative bodies and other -	-	33	-	451	50	-	97,069	-	2,556	-	4,469	104,628
Finance lease receivables:	759	20,523	12,096	6,252	8,241	5,769	-	29,979	1,324	25,023	47,631	157,597
Individuals -	-	-	-	-	-	-	-	-	-	25,023	-	25,023
Business customers -	759	20,523	12,096	6,252	8,241	5,769	-	29,979	1,324	-	47,631	132,574
Securities in the trading book:	31,857	481	461	34	-	-	4,876	462	21	-	2,235	40,427
Debt securities -	10,243	481	297	-	-	-	4,876	392	-	-	1,815	18,104
Equity securities -	21,614	-	164	34	-	-	-	70	21	-	420	22,323
Derivative financial instruments	910	3	-	-	-	-	-	-	-	24	49	986
Investment securities at fair value:	11,273	-	-	-	-	-	1,343	-	-	-	1,443	14,059
Equity securities -	4,949	-	-	-	-	-	-	-	-	-	157	5,106
Debt securities -	6,324	-	-	-	-	-	1,343	-	-	-	1,286	8,953
Investment securities at amortized cost:	51,310	1,608	42,962	1,009	-	-	375,498	3,014	3,990	-	66,458	545,849
Debt securities -	51,310	1,608	42,962	1,009	-	-	375,498	3,014	3,990	-	66,458	545,849
Other financial assets	1,652	13	65	14	5	2	53	6	2	635	5,428	7,875
Credit risk exposures relating to off –balance sheet items are as follows:												-
Financial guarantees -	8,327	13,330	5,576	657	10,448	250	-	1,236	38	62	4,501	44,425
Letters of credit -	-	-	10,926	-	-	-	-	2,853	-	-	-	13,779
Loan commitments and other credit related liabilities -	1,137	19,378	51,902	25,018	27,931	8,384	3,434	15,667	3,000	32,397	66,505	254,753
Total at 31 December2019	171,915	212,772	308,491	254,479	141,991	139,252	572,956	111,965	40,099	414,869	347,414	2,716,203

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Bank	*Financial intermediation*	*Wholesale and retail*	*Manufacturing*	*Real estate and rent*	*Construction*	*Agriculture, hunting and forestry*	*Public administration and defence, compulsory social security*	*Transport, storage and communication*	*Health and social work*	*Loans to individuals*	*Other*	*Total*
At 31 December 2020:												
Cash equivalents	12,270	-	-	-	-	-	349,981	-	-	-	-	362,251
Loans and advances to banks	1,598	-	-	-	-	-	-	-	-	-	-	1,598
Loans and advances to customers:	114,347	133,003	171,164	209,134	67,926	107,598	89,294	69,225	30,618	424,419	175,635	1,592,363
Loans and advances to financial institutions	107,442	-	-	-	-	-	-	-	-	-	-	107,442
Loans to individuals (Retail):	-	-	-	-	-	-	-	-	-	424,419	-	424,419
Consumer loans -	-	-	-	-	-	-	-	-	-	12,748	-	12,748
Mortgages -	-	-	-	-	-	-	-	-	-	297,140	-	297,140
Other -	-	-	-	-	-	-	-	-	-	114,531	-	114,531
Loans to business customers:	6,905	133,003	171,164	209,134	67,926	107,598	89,294	69,225	30,618	-	175,635	1,060,502
Large corporates -	-	-	68,935	-	13,414	-	-	3,571	13,928	-	9,847	109,695
SME -	6,905	132,977	102,211	209,102	54,486	107,598	(10,784)	65,645	14,283	-	152,110	834,533
Central and local authorities, administrative bodies and other -	-	26	18	32	26	-	100,078	9	2,407	-	13,678	116,274
Finance lease receivables:	1,223	16,672	11,894	7,352	7,914	8,830	213	24,451	2,157	26,308	48,276	155,290
Individuals -	-	-	-	-	-	-	-	-	-	26,308	-	26,308
Business customers -	1,223	16,672	11,894	7,352	7,914	8,830	213	24,451	2,157	-	48,276	128,982
Securities in the trading book:	2,273	-	500	23	281	-	4,182	58	13	-	2,252	9,582
Debt securities -	2,223	-	499	-	281	-	4,182	-	-	-	1,659	8,844
Equity securities -	50	-	1	23	-	-	-	58	13	-	593	738
Derivative financial instruments	289	28	26	-	-	-	-	-	-	80	22	445
Investment securities at fair value:	15,528	-	-	-	-	-	17,709	-	938	-	40	34,215
Equity securities -	3,746	-	-	-	-	-	-	-	-	-	40	3,786
Debt securities -	11,782	-	-	-	-	-	17,709	-	938	-	-	30,429
Investment securities at amortized cost:	55,360	1,003	43,993	1,010	-	-	526,700	3,013	3,008	-	63,049	697,136
debt securities -	55,360	1,003	43,993	1,010	-	-	526,700	3,013	3,008	-	63,049	697,136
Other financial assets	444	18	87	24	10	12	54	10	4	292	3,323	4,278
Credit risk exposures relating to off –balance sheet items are as follows:												
Financial guarantees -	9,187	9,750	2,941	761	16,572	229	150	1,109	34	42	8,076	48,851
Letters of credit -	-	116	2,464	-	319	-	-	-	-	-	623	3,522
Loan commitments and other credit related liabilities -	25,343	28,468	29,116	34,236	44,308	5,520	5,299	16,392	3,214	27,681	81,191	300,768
Total at 31 December 2020:	237,862	189,058	262,185	252,540	137,330	122,189	993,582	114,258	39,986	478,822	382,487	3,210,299
At 31 December 2019:												
Cash equivalents	28,192	-	-	-	-	-	90,184	-	-	-	-	118,496
Loans and advances to banks	280	-	-	-	-	-	-	-	-	-	-	280
Loans and advances to customers:	133,026	157,436	184,503	225,650	100,075	124,847	97,568	58,748	31,724	244,257	152,218	1,510,052
Loans and advances to financial institutions	100,085	-	-	-	-	-	-	-	-	-	-	100,085
Loans to individuals (Retail):	-	-	-	-	-	-	-	-	-	244,257	-	244,257
Consumer loans -	-	-	-	-	-	-	-	-	-	22,048	-	22,048
Mortgages -	-	-	-	-	-	-	-	-	-	101,727	-	101,727
Other -	-	-	-	-	-	-	-	-	-	120,482	-	120,482
Loans to business customers:	32,941	157,436	184,503	225,650	100,075	124,847	97,568	58,748	31,724	-	152,218	1,165,710
Large corporates -	-	275	73,038	-	21,436	-	-	233	15,186	-	8,258	118,426
SME -	32,941	157,128	111,465	225,199	78,589	124,847	499	58,515	13,982	-	139,491	942,656
Central and local authorities, administrative bodies and other -	-	33	-	451	50	-	97,069	-	2,556	-	4,469	104,628
Finance lease receivables:	759	20,523	12,042	6,252	8,241	5,769	-	29,979	1,324	25,020	47,631	157,540
Individuals -	-	-	-	-	-	-	-	-	-	25,020	-	25,020
Business customers -	759	20,523	12,042	6,252	8,241	5,769	-	29,979	1,324	-	47,631	132,520
Securities in the trading book:	10,169	-	461	34	-	-	2,535	462	21	-	1,672	15,354
Debt securities -	10,070	-	297	-	-	-	2,535	392	-	-	1,252	14,546
Equity securities -	99	-	164	34	-	-	-	70	21	-	420	808
Derivative financial instruments	910	3	-	-	-	-	-	-	-	24	49	986
Investment securities at fair value:	6,824	-	-	-	-	-	1,343	-	-	-	1,324	9,491
Equity securities -	895	-	-	-	-	-	-	-	-	-	38	933
Debt securities -	5,929	-	-	-	-	-	1,343	-	-	-	1,286	8,558
Investment securities at amortized cost:	49,982	1,003	42,522	1,009	-	-	370,824	3,014	3,990	-	63,135	535,479
debt securities -	49,982	1,003	42,522	1,009	-	-	370,824	3,014	3,990	-	63,135	535,479
Other financial assets	1,652	13	65	14	5	2	53	6	2	496	4,921	7,229
Credit risk exposures relating to off –balance sheet items are as follows:												
Financial guarantees -	8,391	13,330	5,576	657	10,448	250	-	1,236	38	62	4,501	44,489
Letters of credit -	-	-	10,926	-	-	-	-	2,853	-	-	-	13,779
Loan commitments and other credit related liabilities -	31,050	19,378	51,902	25,018	27,981	8,384	3,434	15,667	3,000	32,397	64,213	282,424
Total at 31 December 2019:	271,235	211,686	307,997	258,634	146,750	139,252	565,941	111,965	40,099	302,256	339,664	2,695,599

As at 31 December 2020 and 31 December 2019 the Group and the Bank were compliant with the internal limits.

Concentration exposure

As at 31 December 2020, the largest single exposure comprising loans to several related borrowers treated as a single borrower not secured by the Lithuanian Government guarantees, amounted to EUR 32.6 million, i.e. 9.9% of the Bank's calculated capital (2019: EUR 40.0 million or 14.8% of the Bank's calculated capital).

2. Market risk

The Group takes on exposure to market risk, which means the risk for the Group to incur losses due to the adverse fluctuations in the market parameters such as currency exchange rates (foreign currency risk), interest rates (interest rate risk) or securities prices (securities risk). Securities and interest rate risks are the most significant market risks for the Group while other market risks are of lower significance.

2.1. Foreign exchange risk

The management of the currency exchange risk is regulated by the "Currency Exchange Risk Management Procedures" which specify the principles allowing the Group to reduce the incurred foreign currency fluctuation risk to minimum. The Group is not engaged in any speculative transactions through which it could expect to earn profit from the open currency positions after changes in currency rate. Open foreign currency positions are observed daily and, if needed, closed using currency derivative contracts. The Market and Treasury Department of the Bank bears responsibility for the Group's compliance with the Currency Exchange Risk Management Procedures, Risk Management and Reporting Department performs the ex post control of currency risk management and compliance with the limits for open positions. The limits are imposed by the Risk Management Committee and subject to annual or more frequent review.

The Group and the Bank monitors the foreign currency risk by calculating open currency position. Open currency position (OCP) is equal to assets in the balance sheet and off-balance sheet less balance sheet and off-balance sheet liabilities in a single currency. There are two types of OCP, i.e. long and short. Long position means that Group's assets exceed liabilities in given currency, whereas short position means that liabilities exceed assets. The Group also calculates Overall net open position (ONOP), which is the higher of the total short or total long positions. As at 31 December 2019 the Group's ONOP to capital ratio was 0.08% (2019: 0.22%), the Bank's ONOP to capital ratio was 0.08% (2019: 0.22%).

(All amounts are in EUR thousand, unless otherwise stated)

Open positions

The Group's open positions of prevailing currencies were as follows:

	USD	Other currencies	Total currencies	EUR	Total
At 31 December 2020:					
Assets					
Cash and cash equivalents	6,524	13,806	20,330	412,254	432,584
Due from other banks	132	111	243	36,825	37,068
Securities in the trading book	689	—	689	909	1,598
Derivative financial instruments	—	—	—	445	445
Loans granted to customers, finance lease receivables	13,259	272	13,531	1,747,589	1,761,120
Investment securities at fair value	358	—	358	33,984	34,342
Investment securities at amortized cost	1,230	—	1,230	708,224	709,454
Intangible assets	—	—	—	5,729	5,729
Property, plant and equipment and investment property	—	—	—	22,036	22,036
Other assets	6	9	15	24,454	24,469
Total assets	22,198	14,198	36,396	2,992,449	3,028,845
Liabilities and shareholders' equity					
Due to other banks and financial institutions	9,023	133	9,156	218,667	227,823
Derivative financial instruments	—	—	—	3,840	3,840
Due to customers	106,619	14,821	121,440	2,225,987	2,347,427
Debt securities in issue	—	—	—	20,027	20,027
Special and lending funds	—	—	—	5,749	5,749
Liabilities related to insurance activities	311	111	422	35,853	36,275
Other liabilities	782	115	897	31,741	32,638
Shareholders' equity	—	—	—	355,066	355,066
Total liabilities and shareholders' equity	116,735	15,180	131,915	2,896,930	3,028,845
Net balance sheet position	(94,537)	(982)	(95,519)	95,519	—
Open currency exchange transactions	94,536	1,150	95,686	(98,940)	(3,254)
Net open position	326	167	493	(80)	413
At 31 December 2019:					
Assets					
Cash and cash equivalents	11,925	14,670	26,595	158,322	184,917
Due from other banks	135	—	135	145	280
Securities in the trading book	3,991	145	4,136	36,291	40,427
Derivative financial instruments	—	—	—	986	986
Loans granted to customers, finance lease receivables	11,524	1,051	12,575	1,659,600	1,672,175
Investment securities at fair value	2,916	—	2,916	11,143	14,059
Investment securities at amortized cost	2,630	—	2,630	543,219	545,849
Intangible assets	—	—	—	4,288	4,288
Property, plant and equipment and investment property	—	—	—	19,786	19,786
Other assets	91	1	92	25,327	25,419
Total assets	33,212	15,867	49,079	2,459,107	2,508,186
Liabilities and shareholders' equity					
Due to other banks and financial institutions	1,042	609	1,651	72,744	74,395
Derivative financial instruments	—	—	—	945	945
Due to customers	100,181	15,852	116,033	1,917,616	2,033,649
Special and lending funds	—	—	—	7,060	7,060
Debt securities in issue	—	—	—	20,044	20,044
Liabilities related to insurance activities	2,140	145	2,285	31,212	33,497
Other liabilities	688	6	694	27,098	27,792
Shareholders' equity	—	—	—	310,804	310,804
Total liabilities and shareholders' equity	104,051	16,612	120,663	2,387,523	2,508,186
Net balance sheet position	(70,839)	(745)	(71,584)	71,584	—
Open currency exchange transactions	71,165	912	72,077	(71,664)	413
Net open position	326	167	493	(80)	413

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

The Bank's open positions of prevailing currencies were as follows:

	USD	Other currencies	Total currencies	EUR	Total
At 31 December 2020:					
Assets					
Cash and cash equivalents	6,217	13,806	20,023	411,626	431,649
Due from other banks	132	—	132	9,450	9,582
Securities in the trading book	689	—	689	909	1,598
Derivative financial instruments	—	—	—	445	445
Loans granted to customers, finance lease receivables	13,259	272	13,531	1,734,122	1,747,653
Investment securities at fair value	358	—	358	33,857	34,215
Investment securities at amortized cost	1,230	—	1,230	695,906	697,136
Investments in subsidiaries	—	—	—	29,135	29,135
Intangible assets	—	—	—	4,230	4,230
Property, plant and equipment and investment property	—	—	—	16,214	16,214
Other assets	6	9	15	15,797	15,812
Total assets	21,891	14,087	35,978	2,951,691	2,987,669
Liabilities and shareholders' equity					
Due to other banks and financial institutions	9,023	133	9,156	222,114	231,270
Derivative financial instruments	—	—	—	3,840	3,840
Due to customers	106,619	14,821	121,440	2,227,581	2,349,021
Debt securities in issue	—	—	—	20,027	20,027
Special and lending funds	—	—	—	5,749	5,749
Other liabilities	781	115	896	21,302	22,198
Shareholders' equity	—	—	—	355,564	355,564
Total liabilities and shareholders' equity	116,423	15,069	131,492	2,856,177	2,987,669
Net balance sheet position	(94,532)	(982)	(95,514)	95,514	—
Open currency exchange transactions	94,536	1,150	95,686	(98,940)	(3,254)
Net open position	4	168	172	(3,426)	(3,254)
At 31 December 2019:					
Assets					
Cash and cash equivalents	11,917	14,671	26,588	154,994	181,582
Due from other banks	135	—	135	145	280
Securities in the trading book	1,865	—	1,865	13,489	15,354
Derivative financial instruments	—	—	—	986	986
Loans granted to customers, finance lease receivables	11,524	1,051	12,575	1,655,017	1,667,592
Investment securities at fair value	2,916	—	2,916	6,575	9,491
Investment securities at amortized cost	2,630	—	2,630	532,849	535,479
Investments in subsidiaries	—	—	—	31,491	31,491
Intangible assets	—	—	—	2,921	2,921
Property, plant and equipment and investment property	—	—	—	11,537	11,537
Other assets	91	1	92	13,013	13,105
Total assets	31,078	15,723	46,801	2,423,017	2,469,818
Liabilities and shareholders' equity					
Due to other banks and financial institutions	1,042	609	1,651	75,023	76,674
Derivative financial instruments	—	—	—	945	945
Due to customers	100,181	15,852	116,033	1,920,641	2,036,674
Debt securities in issue	—	—	—	20,044	20,044
Special and lending funds	—	—	—	7,060	7,060
Other liabilities	688	6	694	16,376	17,070
Shareholders' equity	—	—	—	311,351	311,351
Total liabilities and shareholders' equity	101,911	16,467	118,378	2,351,440	2,469,818
Net balance sheet position	(70,833)	(744)	(71,577)	71,577	—
Open currency exchange transactions	71,165	912	72,077	(71,664)	413
Net open position	332	168	500	(87)	413

(All amounts are in EUR thousand, unless otherwise stated)

The Bank has also granted loans in foreign currency. Although they are usually financed in the same currency, depending on the main currency of the debtor's cash flows, the strengthening of foreign currency against the local currency may adversely affect the debtors' ability to repay the loans, which increases the probability of future losses from loans.

Sensitivity of foreign exchange risk

Foreign exchange (FX) risk is limited by amounts of open FX positions. For calculation of sensitivity to FX risk all exposures shall be converted into possible loss, i.e. open FX position is multiplied by possible FX rate change. The FX risk parameters for the Group (Bank) have been established in view of the maximum fluctuations of currency exchange rate in 2020 and forecast that exchange rate fluctuations will have the same trends in 2021.

Currency	Annual reasonable shift, 2021	Annual reasonable shift, 2020
GBP	6 %	6 %
USD	6 %	6 %
Other currencies	6 %	4 %
CIS countries currencies	10 %	8 %

The following table presents Group (Bank) sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant:

	31 December 2020		*31 December 2019*	
Impact on profit or loss and equity	Group	Bank	Group	Bank
USD	2	2	20	20
GBP	—	—	1	1
Other currencies	19	19	12	12
CIS countries currencies	2	2	1	1
Pre-tax impact	24	24	34	34
Total	19	19	27	27

2.2. Interest rate risk in the banking book

An interest rate risk is a risk to incur losses because of the mismatch of re-evaluation possibility between the Bank's and the Group's assets and liabilities.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank and the Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The risk management is regulated by the Interest Rate Risk Management Procedure, which was updated in 2019 to introduce a system of internal risk limits and indicators, which establish methods of risk measurement and set up measures for risk management. This procedure is approved by the Board of the Bank and defines that:

- the Bank observes the principle to avoid the speculation with future interest rates;
- the risk is evaluated using a system of internal key risk indicator;

Risk Management and Reporting Department provides the information on regular basis to Risk Management Committee about compliance with internal risk limits.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Sensitivity of interest rate risk

The table below summarises Group's interest rates sensitive assets and liabilities in the banking book based on repricing dates adjusted by Group's expected behavioral movement from demand deposits to term deposits.

Group	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non interest bearing or maturity undefined	Total
31 December 2020							
Total interest rate sensitive assets	242,522	494,518	507,509	131,783	1,134,569	480,579	2,991,480
Total interest rate sensitive liabilities	85,046	123,942	157,390	287,013	1,001,351	1,015,345	2,670,087
Net interest sensitivity gap at 31 December 2020	157,476	370,576	350,119	(155,230)	133,218	(534,766)	321,393
31 December 2019							
Total interest rate sensitive assets	260,716	431,128	709,708	82,281	740,028	242,912	2,466,773
Total interest rate sensitive liabilities	116,248	124,889	174,667	301,273	630,431	848,929	2,196,437
Net interest sensitivity gap at 31 December 2019	144,468	306,239	535,041	(218,992)	109,597	(606,017)	270,336

Assessing the sensitivity of the Group's profit and other components of equity towards the change of interest rates, it has been assumed that interest is to change by 1 percentage point.

The table below summarizes the effect on the Group's profit and other components of equity of interest rate risk in the banking book as at 31 December 2020 and 31 December 2019.

	31 December 2020			*31 December 2019*		
	Pre-tax increase (decrease) in profit	Pre-tax increase (decrease) in other components of equity	Total impact on equity (post-tax)	Pre-tax increase (decrease) in profit	Pre-tax increase (decrease) in other components of equity	Total impact on equity (post-tax)
Interest rate increase by 1 p.p.	6,398	(970)	4,342	6,735	(170)	5,252
Interest rate decrease by 1 p.p.	(6,398)	1,026	(4,298)	(6,735)	184	(5,241)

The table below summarises the Bank's interest rates sensitive assets and liabilities in the banking book based on repricing dates adjusted by Groups's expected behavioral movement from demand deposits to term deposits.

Bank	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non interest bearing or maturity undefined	Total
31 December 2020							
Total interest rate sensitive assets	235,733	483,069	593,983	114,378	1,065,715	484,764	2,977,642
Total interest rate sensitive liabilities	85,046	123,942	157,430	287,013	1,002,272	972,562	2,628,265
Net interest sensitivity gap at 31 December 2020	150,687	359,127	436,553	(172,635)	63,443	(487,798)	349,377
31 December 2019							
Total interest rate sensitive assets	256,221	515,126	697,761	69,752	675,326	239,292	2,453,478
Total interest rate sensitive liabilities	115,916	124,802	174,491	300,901	598,809	842,603	2,157,522
Net interest sensitivity gap at 31 December 2019	140,305	390,324	523,270	(231,149)	76,517	(603,311)	295,956

Assessing the sensitivity of the Bank's profit and other components of equity towards the change of interest rates, it has been assumed that interest is to change by 1 percentage point.

The table below summarises the effect on the Bank's profit and other components of equity of interest rate risk in the banking book as at 31 December 2020 and 31 December 2019.

	31 December 2020			*31 December 2019*		
	Pre-tax increase (decrease) in profit	Pre-tax increase (decrease) in other components of equity	Total impact on equity (post-tax)	Pre-tax increase (decrease) in profit	Pre-tax increase (decrease) in other components of equity	Total impact on equity (post-tax)
Interest rate increase by 1 p.p.	6,735	(968)	4,614	7,292	(168)	5,699
Interest rate decrease by 1 p.p.	(6,735)	1,024	(4,569)	(7,292)	182	(5,688)

(All amounts are in EUR thousand, unless otherwise stated)

2.3. Securities risk

Securities risk is the risk to incur losses from the investment in securities.

The management of the securities risk is regulated by the Investment in Securities Limits Procedure. In order to properly manage the debt securities portfolio risk, the Bank uses an internal limit system that combines maturity/rating limits, geographical region limits imposed on total debt securities portfolio, VaR ratio limits imposed on debt securities at amortized cost portfolio, and VaR and capital requirements amount limits imposed on other debt securities portfolios. For the equity portfolio risk management, a limit system that combines decision taking limits, issuer limits, portfolio limits is used. The compliance with limits must be checked before taking the investment decisions, monthly reports on the compliance with the limits set are submitted to the Bank's Risk Management Committee.

Securities concentrations

Sector concentration of the securities portfolio is disclosed in Financial Risk Management disclosure, section 1.8. Maturities concentration of securities portfolio is disclosed in Financial Risk Management disclosure, section 3.2. Credit quality of the securities portfolio is disclosed in Notes 12 and Note 15. Geographical concentration of the debt securities portfolio is presented in tables below, which contain Top 20 countries in which the Group and the Bank have exposures:

Top 20 countries in which the Group has debt security exposures:

				2020				2019
	Name of the country	Sovereign	Corporate	Total	Name of the country	Sovereign	Corporate	Total
1.	Lithuania	469,934	5,489	475,423	Lithuania	244,837	3,014	247,851
2.	USA	—	35,441	35,441	USA	—	46,648	46,648
3.	Netherlands	—	34,643	34,643	Netherlands	—	30,563	30,563
4.	Germany	—	27,112	27,112	Poland	27,803	206	28,009
5.	France	—	20,279	20,279	France	—	21,850	21,850
6.	Italy	13,480	4,228	17,708	Ireland	16,859	4,532	21,391
7.	Latvia	14,691	709	15,400	Italy	14,026	5,654	19,680
8.	Poland	14,939	206	15,145	Latvia	17,618	645	18,263
9.	Mexico	5,338	8,297	13,635	Mexico	8,565	8,382	16,947
10.	Estonia	—	11,987	11,987	Spain	10,469	3,517	13,986
11.	Bulgaria	11,364	457	11,821	Romania	—	10,749	10,749
12.	Great Britain	—	11,111	11,111	Great Britain	10,827	—	10,827
13.	Sweden	—	10,661	10,661	Slovenia	9,092	476	9,568
14.	Spain	8,130	1,991	10,121	Bulgaria	9,629	207	9,836
15.	Ireland	3,316	4,230	7,546	Estonia	—	9,097	9,097
16.	Czech Republic	—	5,831	5,831	Czech Republic	1,049	7,982	9,031
17.	Slovenia	5,543	205	5,748	Sweden	6,776	—	6,776
18.	Romania	5,638		5,638	Slovakia	—	6,931	6,931
19.	Finland	—	5,074	5,074	Germany	—	4,968	4,968
20.	Austria	—	4,434	4,434	Finland	—	3,262	3,262
	Other countries	4,239	5,426	9,665	Other countries	4,174	22,499	26,673
	Total	**556,612**	**197,811**	**754,423**	**Total**	**381,724**	**191,182**	**572,906**

Top 20 countries in which the Bank has debt security exposures:

				2020				2019
	Name of the country	Sovereign	Corporate	Total	Name of the country	Sovereign	Corporate	Total
1.	Lithuania	466,789	2,441	469,230	Lithuania	241,162	2,164	243,326
2.	USA	—	34,590	34,590	USA	—	46,023	46,023
3.	Netherlands	—	34,240	34,240	Netherlands	—	30,369	30,369
4.	Germany	—	26,593	26,593	Poland	27,707	—	27,707
5.	France	—	19,432	19,432	France	—	21,210	21,210
6.	Italy	13,190	3,721	16,911	Ireland	16,859	4,331	21,190
7.	Latvia	14,691	709	15,400	Italy	13,771	5,145	18,916
8.	Poland	14,939	—	14,939	Latvia	17,618	645	18,263
9.	Mexico	4,909	8,297	13,206	Mexico	8,408	8,382	16,790
10.	Estonia	—	11,680	11,680	Spain	9,928	3,517	13,445
11.	Bulgaria	11,163	457	11,620	Great Britain	—	10,125	10,125
12.	Great Britain	—	10,490	10,490	Romania	9,734	—	9,734
13.	Sweden		10,262	10,262	Bulgaria	9,092	476	9,568
14.	Spain	7,604	1,991	9,595	Slovenia	9,554	—	9,554
15.	Ireland	3,316	4,029	7,345	Estonia	—	8,663	8,663
16.	Slovenia	5,471	—	5,471	Czech Republic	1,049	7,557	8,606
17.	Czech Republic	—	5,409	5,409	Slovakia	6,776	—	6,776
18.	Finland	—	4,864	4,864	Sweden	—	6,530	6,530
19.	Romania	4,553	—	4,553	Germany	—	4,446	4,446
20.	Austria	—	4,004	4,004	Finland	—	3,050	3,050
	Other countries	1,966	4,609	6,575	Other countries	3,045	21,247	24,292
	Total	**548,591**	**187,818**	**736,409**	**Total**	**374,703**	**183,880**	**558,583**

(All amounts are in EUR thousand, unless otherwise stated)

Sensitivity of securities risk

The sensitivity of debt securities portfolio (at fair value through profit or loss – i.e. trading book is included in profit and at fair value through other comprehensive income is included in other components of equity) to parallel shift of the interest rate curve by 1 percentage point is presented in the table below:

	31 December 2020			*31 December 2019*		
	Pre-tax increase (decrease) in profit	Pre-tax increase (decrease) in other components of equity	Total impact on equity (post-tax)	Pre-tax increase (decrease) in profit	Pre-tax increase (decrease) in other components of equity	Total impact on equity (post-tax)
Group:						
Interest rate increase by 1 p.p.	(356)	(970)	(1,061)	(406)	(170)	(461)
Interest rate decrease by 1 p.p.	375	1,026	1,121	578	184	610
Bank:						
Interest rate increase by 1 p.p.	(295)	(968)	(1,010)	(370)	(168)	(430)
Interest rate decrease by 1 p.p.	309	1,024	1,066	541	182	578

3. Liquidity risk

Liquidity risk means the risk that the Bank is unable to meet its financial obligations in time or that it will not manage to receive financial resources during a short time by borrowing or selling the assets.

3.1. Liquidity risk management process

The liquidity risk management depends on the Bank's ability to cover the cash shortage by borrowing from the market; and the liquidity of the market itself. The Bank seeks not to depend on the ability to borrow in the market in case of liquidity problems and constructs its liquidity strategy based on hypothetical scenario it does not have access to market funding. Due to that fact the Bank possesses a significant debt securities portfolio, which is highly liquid and can be used either as collateral for borrowing by repos, or sold.

Liquidity risk management is regulated by the Procedures for Liquidity Risk Management approved by the Bank's Board. Liquidity risk is evaluated by analysing the dynamics of various liquidity ratios. A list of these ratios as well as recommended limits to their change are defined in the above-mentioned procedures. Decisions regarding liquidity management issues are made by the Bank's Risk Management Committee with reference to the information submitted by the Bank's Risk Management and Reporting Department or by the Bank's Board with reference to the information submitted by the Risk Management Committee. Current liquidity (up to 7 days) risk management is based on short-term cash flow analysis and projections. The Market and Treasury Department is responsible for this.

The Group controls short-term and long-term liquidity risk through established ratios and limits.

Starting from 2015, the Bank is subject to regulatory Liquidity coverage ratio (LCR). The Bank complied with this ratio with a substantial cushion (requirement for the LCR is set at 100%). As of 31 December 2020, Bank's LCR ratio (aggregate for all currencies) stood at 278% (31 December 2019: 202%).

Internal liquidity limit system was updated in 2019. It includes normative, prospective, quality and concentration ratios.

(All amounts are in EUR thousand, unless otherwise stated)

3.2. Structure of assets and liabilities by maturity

The structure of the Group's assets and liabilities by maturity is presented in the table below. Maturity bands used in the table represent maturities of assets and liabilities under most likely scenario, which is contractual maturities scenario adjusted for expectations. For liabilities and assets with no payment breaches, contractual terms are used as the representation of most likely scenario unless information indicating otherwise is available.

Past due part of the assets with payment breaches over 30 days and total amount of assets past due over 90 days are included in "Maturity undefined" band.

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
At 31 December 2020:									
Assets									
Cash and cash equivalents	432,584	—	—	—	—	—	—	—	432,584
Due from other banks	—	—	144	467	269	540	99	79	1,598
Securities in the trading book	—	27	19	395	1,246	5,443	7,410	22,528	37,068
Derivative financial instruments	—	206	121	118	—	—	—	—	445
Loans to customers, finance lease receivables	—	39,342	64,745	108,340	180,313	585,913	758,244	24,223	1,761,120
Investment securities at fair value	—	—	22	—	6,862	5,070	18,475	3,913	34,342
Investment securities at amortized cost	—	11,984	5,996	5,674	47,194	406,516	232,090	—	709,454
Intangible assets	—	—	—	—	—	—	—	5,729	5,729
Property, plant and equipment and investment property	—	—	—	—	—	—	—	16,484	16,484
Other assets	2,329	4,608	1,540	865	7,141	618	12	12,908	30,021
Total assets	**434,913**	**56,167**	**72,587**	**115,859**	**243,025**	**1,004,100**	**1,016,330**	**85,864**	**3,028,845**
Due to other banks and financial institutions	50,866	8,334	991	(208)	152,442	6,043	10,763	—	229,231
Due to customers	1,459,771	78,243	122,991	155,618	285,647	194,266	50,145	—	2,346,681
Special and lending funds	5,749	—	—	—	—	—	—	—	5,749
Debt securities in issue	—	—	—	—	—	—	20,027	—	20,027
Liabilities related to insurance activities	85	416	116	145	555	2,915	32,043	—	36,275
Other liabilities	10,116	8,794	2,563	3,117	1,865	3,375	5,986	—	35,816
Shareholders' equity	—	—	—	—	—	—	—	355,066	355,066
Total liabilities and shareholders' equity	**1,526,587**	**95,787**	**126,661**	**158,672**	**440,509**	**206,599**	**118,964**	**355,066**	**3,028,845**
Net liquidity gap	(1,091,674)	(39,620)	(54,074)	(42,813)	(197,484)	797,501	897,366	(269,202)	—
At 31 December 2019:									
Assets									
Cash and cash equivalents	184,917	—	—	—	—	—	—	—	184,917
Due from other banks	—	66	—	78	1	—	99	36	280
Securities in the trading book	—	17	198	383	1,805	9,094	6,607	22,323	40,427
Derivative financial instruments	—	584	133	26	243	—	—	—	986
Loans to customers, finance lease receivables	—	50,782	94,141	126,139	202,712	545,140	630,306	22,955	1,672,175
Investment securities at fair value	—	1,259	175	395	906	4,754	1,464	5,106	14,059
Investment securities at amortized cost	—	944	9,061	35,954	18,261	139,373	342,256	—	545,849
Intangible assets	—	—	—	—	—	—	—	4,288	4,288
Property, plant and equipment and investment property	—	—	—	—	—	—	—	19,786	19,786
Other assets	396	7,174	635	569	906	2,882	4,997	7,860	25,419
Total assets	**185,313**	**60,826**	**104,343**	**163,544**	**224,834**	**701,243**	**985,729**	**82,354**	**2,508,186**
Due to other banks and financial institutions	46,564	6,896	927	316	1,541	4,941	13,210	—	74,395
Due to customers	1,106,578	109,913	123,870	173,815	299,552	173,879	46,042	—	2,033,649
Special and lending funds	7,060	—	—	—	—	—	—	—	7,060
Debt securities in issue	—	—	—	—	—	—	20,044	—	20,044
Liabilities related to insurance activities	74	340	87	176	373	2,667	29,780	—	33,497
Other liabilities	5,112	10,749	5,792	2,425	1,787	1,881	991	—	28,737
Shareholders' equity	—	—	—	—	—	—	—	310,804	310,804
Total liabilities and shareholders' equity	1,165,388	127,898	130,676	176,732	303,253	183,368	110,067	310,804	2,508,186
Net liquidity gap	**1,165,388**	**127,898**	**130,676**	**176,732**	**303,253**	**183,368**	**110,067**	**310,804**	**2,508,186**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

The Structure of the Bank's assets and liabilities by maturity was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
At 31 December 2020:									
Assets									
Cash and cash equivalents	431,649	—	—	—	—	—	—	—	431,649
Due from other banks	—	—	144	467	269	540	99	79	1,598
Securities in the trading book	—	16	6	80	535	3,605	4,602	738	9,582
Derivative financial instruments	—	206	121	118	—	—	—	—	445
Loans to customers, finance lease receivables	—	32,833	151,874	96,215	162,932	547,178	740,219	16,402	1,747,653
Investment securities at fair value	—	—	22	—	6,862	5,070	18,475	3,786	34,215
Investment securities at amortized cost	—	11,975	5,986	5,610	47,166	405,209	221,190	697,136	
Investments in subsidiaries	—	—	—	—	—	—	—	29,135	29,135
Intangible assets	—	—	—	—	—	—	—	4,230	4,230
Property, plant and equipment and investment property	—	—	—	—	—	—	—	15,852	15,852
Other assets	2,329	4,250	1,493	484	429	79	—	7,110	16,174
Total assets	433,978	49,280	159,646	102,974	218,193	961,681	984,585	77,332	2,987,669
Due to other banks and financial institutions	52,865	8,334	991	(168)	152,442	6,043	10,763	—	231,270
Due to customers	1,461,190	78,243	122,991	155,618	285,647	194,687	50,645	—	2,349,021
Special and lending funds	5,749	—	—	—	—	—	—	—	5,749
Debt securities in issue	—	—	—	—	—	—	20,027	—	20,027
Other liabilities	8,605	3,015	2,343	3,027	1,207	2,514	5,327	—	26,038
Shareholders' equity	—	—	—	—	—	—	—	355,564	355,564
Total liabilities and shareholders' equity	1,528,409	89,592	126,325	158,477	439,296	203,244	86,762	355,564	2,987,669
Net liquidity gap	(1,094,431)	(40,312)	33,321	(55,503)	(221,103)	758,437	897,823	(278,232)	—
At 31 December 2019:									
Assets									
Cash and cash equivalents	181,582	—	—	—	—	—	—	—	181,582
Due from other banks	—	66	—	78	1	—	99	36	280
Securities in the trading book	—	10	28	373	1,077	7,900	5,158	808	15,354
Derivative financial instruments	—	584	133	26	243	—	—	—	986
Loans granted to customers, finance lease receivables	—	46,149	178,063	114,618	189,341	521,637	599,309	18,475	1,667,592
Investment securities at fair value	—	1,259	175	-	906	4,754	1,464	933	9,491
Investment securities at amortized cost	—	936	9,052	35,904	18,237	139,169	332,181	—	535,479
Investments in subsidiaries	—	—	—	—	—	—	—	31,491	31,491
Intangible assets	—	—	—	—	—	—	—	2,921	2,921
Property, plant and equipment and investment property	—	—	—	—	—	—	—	11,537	11,537
Other assets	396	6,403	125	213	149	74	34	5,711	13,105
Total assets	181,978	55,407	187,576	151,212	209,954	673,534	938,245	71,912	2,469,818
Due to other banks and financial institutions	47,882	6,896	927	356	1,562	5,341	13,710	—	76,674
Due to customers	1,109,603	109,913	123,870	173,815	299,552	173,879	46,042	—	2,036,674
Debt securities in issue	—	—	—	—	—	—	20,044	—	20,044
Special and lending funds	7,060	—	—	—	—	—	—	—	7,060
Other liabilities	3,953	3,702	5,516	2,186	663	1,381	614	—	18,015
Shareholders' equity	—	—	—	—	—	—	—	311,351	311,351
Total liabilities and shareholders' equity	1,168,498	120,511	130,313	176,357	301,777	180,601	80,410	311,351	2,469,818
Net liquidity gap	(986,520)	(65,104)	57,263	(25,145)	(91,823)	492,933	857,835	(239,439)	—

(All amounts are in EUR thousand, unless otherwise stated)

3.3. Non - derivative cash flows

Undiscounted cash flows in the table below describe contractual liability side outflows which are stated including nominal contract amounts together with interest till the end of the contract.

Group

31 December 2020	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities							
Due to banks	—	58,540	982	152,652	11,044	5,027	228,245
Due to customers	—	1,543,811	123,143	442,954	249,202	4,141	2,363,251
Debt securities in issue	—	—	—	1,230	4,920	24,920	31,070
Special and lending funds	—	5,749	—	—	—	—	5,749
Liabilities related to insurance activities	—	414	87	549	4,757	27,690	33,497
Total liabilities (contractual maturity dates)	—	1,608,514	124,212	597,385	269,923	61,778	2,661,812

Group

31 December 2019	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities							
Due to banks	—	53,460	932	1,902	9,064	9,321	74,679
Due to customers	—	1,216,556	124,019	475,124	223,178	4,637	2,043,514
Debt securities in issue	—	—	—	1,230	4,920	26,150	32,300
Special and lending funds	—	7,060	—	—	—	—	7,060
Liabilities related to insurance activities	—	414	87	549	4,757	27,690	33,497
Total liabilities (contractual maturity dates)	—	1,277,490	125,038	478,805	241,919	67,798	2,191,050

Bank

31 December 2020	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities							
Due to banks	—	61,201	982	152,713	11,944	5,027	231,867
Due to customers	—	1,545,230	123,143	442,954	249,202	4,141	2,364,670
Debt securities in issue	—	—	—	1,230	4,920	24,920	31,070
Special and lending funds	—	5,749	—	—	—	—	5,749
Total liabilities (contractual maturity dates)	—	1,612,180	124,125	596,897	266,066	34,088	2,633,356

Bank

31 December 2019	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities							
Due to banks	—	54,779	932	1,963	9,964	9,321	76,959
Due to customers	—	1,219,581	124,019	475,124	223,178	4,637	2,046,539
Debt securities in issue	—	—	—	1,230	4,920	26,150	32,300
Special and lending funds	—	7,060	—	—	—	—	7,060
Total liabilities (contractual maturity dates)	—	1,281,420	124,951	478,317	238,062	40,108	2,162,858

(All amounts are in EUR thousand, unless otherwise stated)

3.4. Remaining contractual maturity off - balance sheet items

Analysis of off-balance sheet items by the remaining maturity is as follows:

Group

At 31 December 2020	Up to one month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Loan commitments	278,825	—	—	—	—	—	278,825
Guarantees	48,790	—	—	—	—	—	48,790
Other commitments	469	5,363	156	469	5	—	6,462
Total	328,084	5,363	156	469	5	—	334,077

Group

At 31 December 2019	Up to one month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Loan commitments	252,537	—	—	—	—	—	252,537
Guarantees	44,425	—	—	—	—	—	44,425
Lease commitments	1	2	4	4	5	—	16
Other commitments	5,069	348	—	2,220	8,358	—	15,995
Total	302,032	350	4	2,224	8,363	—	312,973

Bank

At 31 December 2020	Up to one month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Loan commitments	297,828	—	—	—	—	—	297,828
Guarantees	48,851	—	—	—	—	—	48,851
Other commitments	469	5,363	156	469	5		6,462
Total	347,148	5,363	156	469	5	—	353,141

Bank

At 31 December 2019	Up to one month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Loan commitments	280,208	—	—	—	—	—	280,208
Guarantees	44,489	—	—	—	—	—	44,489
Lease commitments	1	2	4	4	5	—	16
Other commitments	5,069	348	—	2,220	8,358	—	15,995
Total	329,767	350	4	2,224	8,363	—	340,708

4. Fair value of financial assets and liabilities

4.1. Financial assets and liabilities not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's and Group's balance sheets at their fair value. The valuation methods for the assets and liabilities are summarized below.

a) Loans and advances to banks

The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value.

The fair value of fixed interest bearing deposits is estimated using valuation technique attributable to Level 3 in the fair value hierarchy, based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

b) Loans and advances to customers and finance lease receivables

Loans and advances and finance lease receivables are net of charges for impairment. The fair value of loans and advances to customers and finance lease receivables is estimated using valuation technique attributable to Level 3 in the fair value hierarchy. The estimated fair value of loans, advances and finance lease receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates (average interest rates on outstanding loans published by the Bank of Lithuania) to determine fair value.

c) Investment securities

The fair value for held-to-collect assets is based on market prices or broker/dealer price quotations – i.e. it is estimated using valuation technique attributable to Level 1 in the fair value hierarchy.

d) Deposits from banks, due to customers, debt securities in issue and special lending funds

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The fair value of fixed interest-bearing deposits, debt securities in issue and special and lending funds not quoted in an active market is estimated using valuation technique attributable to Level 3 in the fair value hierarchy based on discounted cash flows using interest rates for new debts with similar remaining maturity. Interest rates for new deposits of Šiaulių bankas are used for calculation purposes as discount rates.

e) Other financial assets and other financial liabilities

The fair value of lease liabilities is estimated using valuation technique attributable to Level 3 in the fair value hierarchy based on discounted cash flows using interest rates for new leases with similar remaining maturity. The estimated fair value of other financial assets and liabilities is similar to the carrying value due to short maturities of these assets and liabilities.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group

	As of 31 December 2020		As of 31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Due from other banks	1,598	1,598	280	280
Loans	1,605,663	1,628,174	1,514,578	1,543,187
Loans to individuals:	545,188	564,367	356,728	375,908
Consumer loans -	133,517	145,464	134,519	144,697
Mortgages -	297,140	304,449	101,727	102,940
Other -	114,531	114,454	120,482	128,271
Loans to business customers	1,055,728	1,059,071	1,154,250	1,163,687
Central and other authorities -	116,274	112,863	104,628	101,387
Large corporates -	109,695	109,884	118,426	118,708
SME -	829,759	836,324	931,196	943,592
Loans and advances to financial institutions	4,747	4,736	3,600	3,592
Finance lease receivables	155,457	154,407	157,597	156,643
Investment securities at amortized cost	709,454	725,022	545,849	566,830
Government bonds -	532,501	543,609	375,502	390,595
Corporate bonds -	176,953	181,413	170,347	176,235
Other financial assets	4,695	4,695	7,875	7,875
Liabilities				
Due to other banks and financial institutions	227,823	227,784	74,395	74,394
Due to customers	2,347,427	2,353,571	2,033,649	2,039,774
Due to individuals	1,477,127	1,483,119	1,350,888	1,356,908
Due to private companies	682,960	683,027	459,134	459,194
Due to other enterprises	187,340	187,425	223,627	223,672
Debt securities in issue	20,027	20,225	20,044	20,044
Special and lending funds	5,749	5,749	7,060	7,060
Other financial liabilities	24,231	24,194	18,128	18,152

Bank

	As of 31 December 2020		As of 31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Due from other banks	1,598	1,598	280	280
Loans	1,592,363	1,603,328	1,510,052	1,529,751
Loans to individuals:	424,419	432,274	244,257	254,574
Consumer loans -	12,748	13,372	22,048	23,363
Mortgages -	297,140	304,449	101,727	102,940
Other -	114,531	114,453	120,482	128,271
Loans to business customers	1,060,502	1,063,839	1,165,710	1,175,121
Central and other authorities -	116,274	112,863	104,628	101,386
Large corporates -	109,695	109,884	118,426	118,708
SME -	834,533	841,092	942,656	955,027
Loans and advances to financial institutions	107,442	107,215	100,085	100,056
Finance lease receivables	155,290	154,234	157,540	156,585
Investment securities at amortized cost	697,136	712,000	535,479	555,977
Government bonds -	526,700	537,450	370,825	385,664
Corporate bonds -	170,436	174,550	164,654	170,313
Other financial assets	4,278	4,278	7,229	7,229
Liabilities				
Due to other banks and financial institutions	231,270	231,231	76,674	76,714
Due to customers	2,349,021	2,355,165	2,036,674	2,042,799
Due to individuals	1,477,127	1,483,119	1,350,888	1,356,908
Due to private companies	684,533	684,600	461,349	461,409
Other	187,361	187,446	224,437	224,482
Debt securities in issue	20,027	20,225	20,044	20,044
Special and lending funds	5,749	5,749	7,060	7,060
Other financial liabilities	20,337	20,309	13,817	13,841

(All amounts are in EUR thousand, unless otherwise stated)

4.2. Financial assets and liabilities measured at fair value

a) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, NASDAQ Stock Exchange, London Stock Exchange, Frankfurt Stock Exchange) or public price quotations (for example, for Lithuanian government bonds, average price quotations from the most active banks that participate in the primary placement auctions of the Lithuanian Government securities are used).

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The Group uses fair value calculated based on Level 2 inputs for accounting of currency derivatives and derivatives related to prices of equity instruments.

- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes Group's investments into unlisted equity securities, derivatives related to interest rate floor in variable rate loan contracts and liabilities designated at fair value through profit or loss. Details on fair value measurement of these instruments are described in subsection "Details on the main models used in valuation of Level III instruments" (Financial Risk Management disclosure, section 4.2.b), below.

b) Measurement of financial assets and liabilities according to the fair value hierarchy

		2020		*2019*
	Group	Bank	Group	Bank
LEVEL I				
Financial assets in the trading book				
Listed equity securities	732	732	805	805
Units of investment funds	21,790	—	21,515	—
Government bonds	6,404	4,183	4,876	2,535
Corporate bonds	4,533	2,412	11,712	10,495
Investment securities at fair value				
Government bonds	17,709	17,709	1,343	1,343
Corporate bonds	12,720	12,720	7,215	7,215
Investment fund units	459	459	311	311
Total Level I financial assets	**64,347**	**38,215**	**47,777**	**22,704**
LEVEL II				
Financial assets in the trading book				
Derivative financial instruments	445	445	986	986
Total Level II financial assets	**445**	**445**	**986**	**986**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	(3,840)	(3,840)	(945)	(945)
Total Level II financial liabilities	**(3,840)**	**(3,840)**	**(945)**	**(945)**
LEVEL III				
Financial assets in the trading book				
Corporate bonds	3,603	2,249	1,516	1,516
Unlisted equity securities	6	6	3	3
Investment securities at fair value				
Corporate bonds	—	—	395	—
Unlisted equity securities	525	398	741	622
Investment fund units	2,929	2,929	4,054	—
Total Level III financial assets	**7,063**	**5,582**	**6,709**	**2,141**

There were no transfers between fair value hierarchy levels during 2020 and 2019.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

The following table presents the changes in Level III instruments during 2020 and 2019:

The Group

	Financial assets in the trading book				*Investment securities at fair value*					
	Corporate bonds		Unlisted equities		Corporate bonds		Unlisted equities		Investment fund units	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Value as of 1 January	1,516	2,225	3	4	395	395	741	848	4,054	3,788
Additions / Recognition	6,165	8,528	312	355	—	—	8	—	3,025	—
Disposals	(4,075)	(9,211)	(309)	(356)	(395)	—	—	(335)	(3,605)	(39)
Conversion to shares	—	—	—	—	—	—	—	—	—	—
Derecognition	—	—	—	—	—	—	—	—	—	—
Changes due to interest accrued/paid	1	(26)	—	—	—	—	—	—	—	—
Revaluations through profit or loss	(4)	—	—	—	—	—	(224)	228	(545)	305
Value as of 31 December	3,603	1,516	6	3	—	395	525	741	2,929	4,054

The Bank

	Financial assets in the trading book				*Investment securities at fair value*					
	Corporate bonds		Unlisted equities		Corporate bonds		Unlisted equities		Investment fund units	
	2020	2019	2020	2019	2020	2019		2019	2020	2019
Value as of 1 January	1,516	2,225	3	4	—	—	622	432	—	—
Additions / Recognition	4,807	8,528	315	355	—	—	—	—	3,025	—
Disposals	(4,072)	(9,211)	(312)	(356)	—	—	—	(11)	—	—
Conversion to shares	—	—	—	—	—	—	—	—	—	—
Derecognition	—	—	—	—	—	—	—	—	—	—
Changes due to interest accrued/paid	1	(26)	—	—	—	—	—	—	—	—
Revaluations through profit or loss	(2)	—	(1)	—	—	—	(224)	201	(96)	—
Value as of 31 December	2,250	1,516	5	3	—	—	398	622	2,929	—

	2020		*2019*	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	(773)	(322)	533	201
from trading securities (corporate bonds)	*(4)*	*(2)*		
from investment securities at fair value (unlisted equities)	*(224)*	*(224)*	*228*	*201*
from investment securities at fair value (investment fund units)	*(545)*	*(96)*	*305*	*—*

Details on the main models used in valuation of Level III instruments:

Unlisted debt securities. Most commonly used fair value measures in the Group are assessment of discounted cash flows from the security carried out by employees of the Group. The principles for the assessment of fair value of unlisted equity securities are stipulated in the Instruction for Accounting of Securities.

Unlisted equity securities. Most commonly used fair value measures in the Group are: valuations from external independent certified appraisers or assessment of discounted cash flows from the security carried out by employees of the Group. The principles for the assessment of fair value of unlisted equity securities are stipulated in the Instruction for Accounting of Securities.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

4.3. Offsetting financial assets and financial liabilities

As of 31 December 2020 and 31 December 2019, only currency derivative instruments were subject to master netting arrangements and similar arrangements. As of 31 December 2019, derivative financial instruments classified as assets in amount of EUR 444 thousand and derivative financial instruments classified as liabilities in amount of EUR 3,840 thousand were subject to those agreements. As of 31 December 2019, derivative financial instruments classified as assets in amount of EUR 434 thousand and derivative financial instruments classified as liabilities in amount of EUR 343 thousand were subject to those agreements.

The Group receives collateral in the form of marketable securities in respect of reverse repurchase agreements, which are included in loans to customers. Gross amount of reverse repurchase agreements: 31 December 2020: EUR 5,857 thousand; 31 December 2019: EUR 24,873 thousand. Securities received as a collateral for reverse repurchase agreements can be pledged or sold during the term of transaction but have to be returned on maturity of the transaction. The Group did not pledge or sell any collateral received for reverse repurchase agreements during 2020 and 2019.

4.4. Classes of financial instruments

A table below provides reconciliation of items of financial assets and liabilities as presented in Statement of Financial Position to classes of financial instruments:

	31 December 2020		31 December 2019	
	Group	Bank	Group	Bank
FINANCIAL ASSETS				
Financial assets mandatorily measured at fair value through profit or loss:	*41,426*	*13,813*	*46,519*	*17,273*
Trading securities	*12,544*	*9,582*	*16,935*	*15,354*
trading debt securities: government bonds -	3,669	4,182	3,202	2,535
trading debt securities: corporate bonds -	8,137	4,662	12,925	12,011
trading equities -	738	738	808	808
Other trading book securities	*24,524*	—	*23,492*	—
other trading book debt securities: government bonds -	2,734	—	1,977	—
other trading book equities -	21,790	—	21,515	—
Investment securities at fair value	*3,913*	*3,786*	*5,106*	*933*
non-trading equities -	3,913	3,786	5,106	933
Derivative financial instruments	*445*	*445*	*986*	*986*
Financial assets measured at fair value through other comprehensive income:	*30,429*	*30,429*	*8,953*	*8,558*
Debt securities at fair value through other comprehensive income	*30,429*	*30,429*	*8,953*	*8,558*
government bonds -	17,709	17,709	1,343	1,343
corporate bonds -	12,720	12,720	7,610	7,215
Financial assets measured at amortized cost:	*2,753,994*	*2,727,024*	*2,253,499*	*2,234,622*
Cash and cash equivalents	*432,584*	*431,649*	*184,917*	*181,582*
Due from other banks	*1,598*	*1,598*	*280*	*280*
Loans to customers	*1,605,663*	*1,592,363*	*1,514,578*	*1,510,052*
loans to financial institutions -	4,747	107,442	3,600	100,085
loans to individuals (retail): consumer loans -	133,517	12,748	134,519	22,048
loans to individuals (retail): mortgages -	297,140	297,140	101,727	101,727
loans to individuals (retail): other -	114,531	114,531	120,482	120,482
loans to business customers: SME -	829,759	834,533	931,196	942,656
loans to business customers: large corporates -	109,695	109,695	118,426	118,426
loans to business customers: central and local authorities and other -	116,274	116,274	104,628	104,628
Investment securities at amortized cost	*709,454*	*697,136*	*545,849*	*535,479*
government bonds -	532,501	526,700	375,502	370,825
corporate bonds -	176,953	170,436	170,347	164,654
Other financial assets	*4,695*	*4,278*	*7,875*	*7,229*
Finance lease receivables:	*155,457*	*155,290*	*157,597*	*157,540*
Finance lease receivables	*155,457*	*155,290*	*157,597*	*157,540*
individuals -	26,308	26,308	25,023	25,020
business customers -	129,149	128,982	132,574	132,520
TOTAL FINANCIAL ASSETS	*2,981,306*	*2,926,556*	*2,466,568*	*2,417,993*
FINANCIAL LIABILITIES				
Financial liabilities mandatorily measured at fair value through profit or loss:	*3,840*	*3,840*	*945*	*945*
Derivative financial instruments	*3,840*	*3,840*	*945*	*945*
Financial liabilities measured at amortised cost:	*2,625,257*	*2,626,404*	*2,153,276*	*2,154,269*
Due to banks and financial institutions	*227,823*	*231,270*	*74,395*	*76,674*
Due to customers	*2,347,427*	*2,349,021*	*2,033,649*	*2,036,674*
due to individuals -	1,477,127	1,477,127	1,350,888	1,350,888
due to private companies -	682,960	684,533	459,134	461,349
other -	187,340	187,361	223,627	224,437
Special and lending funds	*5,749*	*5,749*	*7,060*	*7,060*
Debt securities in issue	*20,027*	*20,027*	*20,044*	*20,044*
Other financial liabilities	*24,231*	*20,337*	*18,128*	*13,817*
TOTAL FINANCIAL LIABILITIES	*2,629,097*	*2,630,244*	*2,154,221*	*2,155,214*

(All amounts are in EUR thousand, unless otherwise stated)

5. The risk inherent in insurance activities

The Bank's subsidiary SB Draudimas (name changed from Bonum Publicum, hereinafter - hereinafter - the company) is engaged in life insurance business.

Insurance risk

The insurance risk occurs from the uncertainty in estimation of the probability and timing of the insurance events used for the calculation of the insurance premium. This risk is random and therefore unpredictable.

For the portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

The company issues the contracts with mortality, morbidity, survival, casualty risks.

The company manages acceptable insurance risk by valuating the health of the insured person, habits of living, and the history of the health of his family. The company uses a system of several levels of risk to ensure that the payable premium would conform to the state of health of the insured person.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

At present, these risks do not vary significantly in relation to the location of the risk insured by the company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

Concentration of risk is measured by the insurance amount of the accepted risks:

	2020	2019
Maturity	3.07 %	3.39 %
Death	32.44 %	32.82 %
Critical illness	10.50 %	10.43 %
Death in case of accident	14.68 %	13.41 %
Trauma	39.30 %	39.95 %

The company manages these risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits.

The company follows the principles of conservatism and prudence to settle the price for insurance risk therefore the increase in loss rate of any insurance risk would not impact the result of the Group significantly.

Mortality, survival, casualty and morbidity risks

Mortality, morbidity, survival, casualty risks occur because the frequency or severity of claims and benefits are greater than estimated, that will cause that future premiums will not be sufficient to cover the future claims in case of death, illnesses or trauma. For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS or SARS) or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.

The survival insurance risk appears due to the longer life time than planned. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

The most significant factor that could increase the casualty insurance risk is the departure from occupational safety, use of obsolete equipment, increasing rate of accidents.

As the company started its operations recently and it does not have enough statistics on mortality, morbidity and casualty, for valuation of the mortality and casualty insurance risks the company uses statistics on mortality and casualty of the population of Lithuania. For valuation of the morbidity insurance risk the company uses morbidity tables of the reinsurance company that has a broad experience of similar activities.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Profit or loss and insurance liabilities are mainly sensitive to changes in mortality, disability/morbidity, lapse rates, expense rates, discount rates which are estimated for calculating adequate value of insurance liabilities during the liability adequacy test.

Changes in variables represent reasonably possible changes in variables mentioned which could have occurred and would have led to significant changes in insurance liabilities as at the end of the reporting period. These reasonably possible changes represent neither expected changes in variables nor worst-case scenarios.

The analysis was prepared for a change in variables with all other assumptions remaining constant and ignores changes in the values of the related assets.

Sensitivity was calculated for the worse direction in movement; therefore, sensitivity to changes was calculated for a 10% increase in mortality, longevity, disability and morbidity, lapse rates and expense rates. Hence changes in discount rates are stated in 100 basis points for both directions.

The Company's sensitivity to the changes in key variables that have a material impact, 31 December 2020

Variable	*Change in variable*	*Change in profit/loss*	*Change in insurance liability*
Mortality	10%	(569)	569
Longevity	10%	(13)	13
Disability/Morbidity	10%	(351)	351
Lapse rate	10%	(138)	(138)
Expense rate	10%	(868)	868
Discount rate	100bp	1,363	(1,363)
	(100bp)	(1,626)	1,626

The Company's sensitivity to the changes in key variables that have a material impact, 31 December 2019

Variable	*Change in variable*	*Change in profit/loss*	*Change in insurance liability*
Mortality	10%	(370)	270
Longevity	10%	(13)	13
Disability/Morbidity	10%	(395)	395
Lapse rate	10%	(234)	234
Expense rate	10%	(1,051)	1,051
Discount rate	100bp	1,548	(1,548)
	(100bp)	(1,856)	1,856

Loss rate according to insurance groups:

	2020 (%)	2019 (%)
Life insurance		
Unit-linked insurance	11.9	14.2
Term life insurance	12.3	8.8
Endowment insurance	17.9	14.3
Scholarship insurance	95.3	123.8
Pension insurance	25.8	51.4
Overall loss rate	14.1	16.4

Loss rates by insurance groups were calculated by dividing total claims costs (including change in outstanding claims reserve) per insurance group by gross earned premiums.

Claims lag risk

Claims lag risk occurs when the event is incurred but not yet reported to the Company. If the part of incurred but not reported claims would increase or decrease by 10% during the reporting year, the profit and the equity of the Company would decrease or increase by EUR 7 thousand (2019 – EUR 6 thousand).

Cancellation risk

Cancellation risk is a risk, when the insurance contract is terminated on the initiative of the policyholder earlier than the contract expires. The surrender value, paid to the policyholder, in case of the contract cancellation, consisted of share from the total mathematical technical provision (2020: 5.9%, 2019: 6.6%), except unearned premium technical provision for the end of the reporting year. Due to the fact that technical provision for every contract is not less than the surrender amount in case of the contract cancellation, therefore, increased number of cancellations shall not affect the results of the Company in the long run. Immediate profits in the current year are netted by decrease in the future income of the Company.

The company manages such risk through the prevention of the cancellation, by notifying the policyholder of possible cancellation due payment delay of a periodical insurance premium, by proposing to change the terms of the contract according to the present situation.

Technical provisions inadequacy risk

Technical provisions inadequacy risk is a risk that calculated insurance technical provisions will be insufficient to reflect (cover) company's underwriting insurance liabilities. In order to reduce the technical provisions inadequacy risk the company periodically tests technical provisions adequacy and ensures compliance with set limits.

6. Operational risk

Operational risk is the risk to incur losses due to inadequate internal control processes or incorrect process implementation, errors and(or) illegal actions of employees, malfunctioning of information systems or external incidents. Unlike other risks (credit, market, liquidity), which are not being taken on purposefully, with anticipation of benefits, operational risk occurs naturally in the course of Bank's business.

The principles for management operational risk in the Bank: proper identification and assessment of operational risk; preventing larger operational risk and losses by implementation of efficient internal control; proper organisation and supervision of internal control environment by continuous revision of applicable control methods; concentration of resources and time towards identification and management of main sources of operational risk in all the areas of Bank's activity.

The Bank has prepared and continuously improves the operational risk management principles and tools applicable to the Bank and its subsidiaries, which are defined in the documents regulating the operational risk management of the Bank and subsidiaries of the Bank.

A system for registration of the operational risk events. The operation of the system is described in the Operational Risk Event Administration and Operational Risk Event Registration Manual, whereas, the events are registered in the Administrative Information System (AIS).

Business continuity management. With the onset of the Covid-19 crisis in Lithuania at the beginning of March 2020, the work of the Crisis Management Commission was activated, and the Bank's Business Continuity Plan was launched. The structure of BCP, the interaction of its components and the management measures of other parts of the Bank's business continuity are described in the Bank's Business Continuity Organization Regulations, the current version of which and the BCPP itself were updated in 2020.

In 2020, the Bank further improved the operational risk and reputation risk management systems of the Bank and its subsidiaries. For this purpose, the Reputation Risk Management Procedure has been prepared and the Reputation Risk Management Indicators have been approved. Taking into account the approval of the Bank of Lithuania Rules on the Outsourcing of Operational Functions of Financial Market Participants to Other Parties of 10 November 2020, prepared in accordance with the European Banking Authority's Guidelines on Outsourcing of 25 February 2019 (EBA / GL / 2019 / 02), prepared the Procedure for Procurement of Outsourcing Services.

In 2021, the focus will be on updating and testing the components of the Bank 's business continuity plan and refining the functions of the Bank' s defence line II and the Bank 's divisions.

7. IT risk

Information technology (IT) risk – is a probability of loss due to breach of confidentiality, failure of integrity of systems and data, inappropriateness or unavailability of systems and data or inability to change information technology (IT) within a reasonable time and with reasonable costs when the environment or business requirements change. Main goal of Bank's IT risk management – avoid or minimize losses caused by IT related factors.

Bank's IT risk is regulated by IT risk management procedure. System of key IT risk indicators (KRIs) helps in measurement and management of IT risk level, this system is constantly improved.

In 2020 Bank continued implementing IT risk decreasing measures. Updated Bank IT strategy was prepared, IT department was restructured according updated strategy. IT project management was linked to yearly Bank's map of goals. Risky outdated and end-of-life technologies were removed from Bank's IT systems. Adjusting to COVID19 pandemic situation, means for remote work and Microsoft Office 365 collaboration platform were promptly introduced. Security incident management center service (CyberSOC) was established, significantly elevating level of Bank's IT security. Modern system monitoring platform was installed, enabling proactive detection and solving of IT related problems. Bank's IT systems were categorized according their criticality, using business impact analysis method, IT continuity plan was updated with focus on assurance of functioning of the most critical systems.

8. Compliance risk

Compliance risk is the risk that the Bank's activities do not comply with the financial institution regulatory requirements set forth in the national legal acts, the EBA (European Banking Authority), the ESMA (European Security and Markets Authority) and Bank of Lithuania guidelines and positions. The compliance function areas were established by the Bank taking into consideration the volume of operations, the complexity of the activities, transactions executed and their risk level. The compliance function performs compliance risk self assessment using risk-based approach on a regular basis and informs Bank's management about the identified risks and their mitigation measures. During 2020 reasonable changes to compliance function took place by separating it from fin.crime prevention activities. Nevertheless, compliance function was continuously active in area of anti-money laundering (AML) and terrorist financing prevention, sanctions screening, data privacy, market in financial instruments, ABC and anti-market abuse related activities.

9. Model risk

The Bank defines model risk as the risk to incur a financial loss or to make incorrect business decisions, publish false reporting disclosures because of the usage of models. The Bank maintains a list of its models and performs validation of the selected models in order to make sure that they work properly.

10. Stress tests

Besides the regular assessment of the risks and the capital requirement calculation, the Group also performs stress tests which are a part of Internal Capital Adequacy Assessment Process (ICAAP). During this process it is determined if the Bank's capital is sufficient to cover the possible losses which may occur because of the financial status deterioration. Stress testing for all of the risks is performed at least once a year in accordance with the prudential requirements. Ad hoc stress tests for separate risks are performed in case there is a need to understand the possible impacts of underlying factors.

11. Capital management

The capital of the Bank and its subsidiaries in the prudential scope of calculation (Financial Group, please see Note 31) is calculated and allocated for the risk coverage following the Capital requirements regulation and directive – CRR/CRD IV. The Bank's objectives when managing own funds are as follows:

1) to comply with the own funds requirements set by the European Parliament and the Council of the European Union as well as the internal target capital requirements;
2) to safeguard the Bank's and the Financial Group's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders;
3) to support the development of the Group's business with the help of the strong capital base.

Information regarding capital adequacy is submitted to the supervising authority quarterly in accordance with the CRR/CRD IV requirements.

During the years ended 31 December 2020 and 31 December 2019, the Bank and the Financial Group complied with capital requirements to which it was subject.

According to Solvency II directive Bank's subsidiary SB Draudimas GD UAB (name changed from Bonum Publicum GD UAB) has to ensure that all the time its own funds must be higher than Solvency Capital Requirement and Minimum Capital Requirement, which enables the company to cover potential losses and reasonably assure policyholders that payables will be paid out. Solvency II ratio is being calculated and reported quarterly to supervisory authority, the Bank of Lithuania. During the years ended 31 December 2020 and 31 December 2019, Company complied with the Solvency II ratio requirements to which it was subject.

FINANCIAL RISK MANAGEMENT (continued)

Other companies comprising the Group are not subject to supervisory requirements on a company level. General principles stipulated in the Republic of Lithuania Law on Limited Liability Companies apply – i.e. share capital of the company cannot be less than EUR 2.5 thousand, it the company's shareholders' equity becomes less than ½ of the share capital in the charter of the company, the company has to remediate the situation over the prescribed period of time.

During the years ended 31 December 2020 and 31 December 2019, the Group and the Bank complied with prudential requirements to which it was subject.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Impairment losses on loans and finance lease receivables. The Bank and the Group review their loan and finance lease portfolios to assess impairment at least on a quarterly basis. In determining the impairment loss amount, the Group makes multiple judgements and estimates, including forward looking assumptions. When making expected credit loss estimate, the Bank and the Group analyse financial information received from a client and client's performance in servicing its loans. The methodology and assumptions used (the credit rating of the client; usage of low credit risk exemption for the loans that have 'standard' internal ratings; the recoverability ratio applied; discounted market value of pledged assets) for assessment of client's ability to service debt and estimating both the amount and timing of future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience. However due to inherent limitations of the methodology, the calculated impairment loss as at 31 December 2020 may be inadequate to reflect the losses of the loan portfolio. Please see section 1.3.b of Financial risk management dislosure for the impairment loss sensitivity analysis.

Impairment losses on investments in subsidiaries. The Bank tests investments in its subsidiaries for impairment when impairment indicators are identified. The Bank establishes recoverable amount of investments in subsidiary companies based on discounted future estimated net cash flows to be earned by a subsidiary. Future net cash flows to be earned by investment management and real estate development subsidiaries are based on estimated inflow from sales of financial and other assets held by these subsidiaries less estimated cash outflow related to management and development costs. Future net cash flows from subsidiary involved in leasing operations are estimated based on future expected interest income to be earned on lease portfolio less cash outflows related to financing activities and administration costs. Discount rates are based on current cost of capital used for investments in these subsidiaries. The Group's management applies judgement in estimating cash flows and discount rates used in impairment testing.

Impairment of goodwill. Goodwill is tested for impairment annually. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated is valued using present value techniques, which are further described in Note 17. The Group's management applies judgement in estimating cash flows and discount rates used in impairment testing, changes in these judgements and estimates can significantly affect the assessed value of goodwill. Increase of discount rate used in impairment testing by 2% (other factors held constant) would decrease the net present value of cash generating unit by EUR 900 thousand and would not result in additional impairment of goodwill (2019: decrease the value by EUR 892 thousand and would not result in additional impairment of goodwill).

TLTRO-III borrowings. Based on the terms of the third series of the targeted longer-term refinancing operations (TLTRO-III) program of the European Central Bank in comparison to market pricing for other similar collateralized borrowings available, the Group's management concluded that TLTRO-III borrowing (please see Note 20 for more details on the liability) does not contain a significant benefit relative to market pricing and accounts for financial liabilities relating to TLTRO-III program wholly as a floating rate instruments under IFRS 9. The effective interest rate of these borrowings recognized in Group's income statement does not include the bonus on the special interest period and reflects the Group's expectation to not meet the lending targets over the operation's life. If there was a subsequent change in the Group's estimate regarding its lending targets, the Group would apply IFRS 9 revision of estimates guidance.

Liabilities related to insurance activities. The value of liabilities related to insurance activities (technical insurance provisions) is determined by making assumptions and estimates that have impact on the reported amounts. These estimates and assumptions are regularly reviewed and based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Please see section 5. of Financial risk management disclosure for the liabilities related to insurance activities sensitivity analysis.

Fair value measurements for Level 3 assets or liabilities. Measurement of the fair value of assets or liabilities assigned to Level 3 requires usage of inputs that are not based on observable market data (unobservable inputs). The Group's management applies judgement in choosing appropriate methodology, estimating cash flows, discount rates and other parameters used in such valuations. Please see section 4. of Financial risk management disclosure for the fair value approaches used.

Taxes. The tax authorities have carried out a full-scope tax audit at the Bank for the years 1998 to 2001 (income tax audit was done for the period from 1998 to 2000). There were no significant remarks or disputes. The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Bank's management is not aware of any circumstances which may give rise to a potential material liability in this respect. The deferred tax assets recognised at 31 December 2020 have been based on future profitability assumptions of the Bank over a five year horizon. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

(All amounts are in EUR thousand, unless otherwise stated)

SEGMENT INFORMATION

Summary of major indicators for the main business segments of the Group included in the statement of financial position as at 31 December 2020 and in the income statement for the year then ended is presented in the table below.

	Traditional banking operations and lending	*Treasury*	*Non-core banking activities*	*Other activities*	*Eliminations*	*Total*
Continuing operations						
Internal	(174)	—	223	(134)	85	—
External	76,121	7,354	2,246	308	—	86,029
Interest income	75,947	7,354	2,469	174	85	86,029
Internal	—	—	—	—	—	—
External	(6,894)	(3,377)	(50)	—	—	(10,321)
Interest expenses	(6,894)	(3,377)	(50)	—	—	(10,321)
Internal	(174)	—	223	(134)	85	—
External	69,227	3,977	2,196	308	—	75,708
Net interest income	69,053	3,977	2,419	174	85	75,708
Internal	325	—	—	51	(376)	—
External	16,270	—	—	(225)	—	16,045
Net fee and commission income	16,595	—	—	(174)	(376)	16,045
Internal	151	—	223	(83)	(291)	—
External	85,497	3,977	2,196	83	—	91,753
Net interest, fee and commissions income	85,648	3,977	2,419	—	(291)	91,753
Internal	(113)	—	(1)	(60)	174	—
External	(33,352)	(3,219)	—	(7,524)	—	(44,095)
Operating expenses	(33,465)	(3,219)	(1)	(7,584)	174	(44,095)
Amortisation charges	(959)	(106)	—	(45)	—	(1,110)
Depreciation charges	(2,401)	(250)	—	(345)	—	(2,996)
Internal	—	—	(2,262)	2,002	260	—
External	(10,470)	—	298	(1,801)	—	(11,973)
Impairment expenses	(10,470)	—	(1,964)	201	260	(11,973)
Internal	5,766	—	38	(46)	(5,758)	—
External	7,865	4,841	805	7,718	—	21,229
Net other income	13,631	4,841	843	7,672	(5,758)	21,229
Profit (loss) before tax from continuing operations	51,984	5,243	1,297	(101)	(5,615)	52,808
Income tax	(8,989)	(853)	—	(45)	—	(9,887)
Profit (loss) per segment after tax from continuing operations	42,995	4,390	1,297	(146)	(5,615)	42,921
Profit or (loss) per segment after tax from discontinued operations	—	—	121	—	—	121
Profit (loss) per segment	42,995	4,390	1,418	(146)	(5,615)	43,042
Non-controlling interest	—	—	—	—	—	—
Profit (loss) for the year attributable to the owners of the Bank	42,995	4,390	1,418	(146)	(5,615)	43,042
Total segment assets	1,921,559	1,179,967	12,969	61,613	(147,263)	3,028,845
Total segment liabilities	1,693,496	1,039,539	11,425	44,878	(115,559)	2,673,779
Net segment assets (shareholders' equity)	228,063	140,428	1,544	16,735	(31,704)	355,066

(All amounts are in EUR thousand, unless otherwise stated)

SEGMENT INFORMATION (continued)

A summary of major indicators for the main business segments of the Group included in the statement of financial position as at 31 December 2019 and in the income statement for the year then ended is presented below:

	Traditional banking operations and lending	*Treasury*	*Non-core banking activities*	*Other activities*	*Eliminations*	*Total*
Internal	(471)	—	412	17	42	—
External	69,868	9,470	849	437	—	80,624
Interest income	69,397	9,470	1,261	454	42	80,624
Internal	(17)	—	—	(359)	376	—
External	(5,357)	(2,740)	(101)	(14)	—	(8,212)
Interest expenses	(5,374)	(2,740)	(101)	(373)	376	(8,212)
Internal	(488)	—	412	(342)	418	—
External	64,511	6,730	748	423	—	72,412
Net interest income	64,023	6,730	1,160	81	418	72,412
Internal	107	—	—	(115)	8	—
External	16,746	—	—	(32)	—	16,714
Net fee and commission income	16,853	—	—	(147)	8	16,714
Internal	(381)	—	412	(457)	426	—
External	81,257	6,730	748	391	—	89,126
Net interest, fee and commissions income	80,876	6,730	1,160	(66)	426	89,126
Internal	(45)	—	—	(46)	91	—
External	(32,108)	(3,094)	—	(11,562)	—	(46,764)
Operating expenses	(32,153)	(3,094)	—	(11,608)	91	(46,764)
Amortisation charges	(702)	(77)	—	(56)	—	(835)
Depreciation charges	(2,165)	(221)	—	(374)	—	(2,760)
Internal	—	—	1,541	246	(1,787)	—
External	(7,661)	—	(76)	(655)	—	(8,392)
Impairment expenses	(7,661)	—	1,465	(409)	(1,787)	(8,392)
Internal	(118)	—	4,805	(83)	(4,604)	—
External	9,047	3,485	1,871	14,974	—	29,377
Net other income	8,929	3,485	6,676	14,891	(4,604)	29,377
Profit (loss) before tax	47,124	6,823	9,301	2,378	(5,874)	59,752
Income tax	(7,190)	(690)	—	(350)	—	(8,230)
Profit (loss) per segment after tax	39,934	6,133	9,301	2,028	(5,874)	51,522
Non-controlling interest	—	—	—	—	—	—
Profit (loss) for the year attributable to the owners of the Bank	39,934	6,133	9,301	2,028	(5,874)	51,522
Total segment assets	1,796,872	767,074	22,430	66,456	(144,646)	2,508,186
Total segment liabilities	1,573,157	670,357	19,602	48,704	(114,438)	2,197,382
Net segment assets (shareholders' equity)	223,715	96,717	2,828	17,752	(30,208)	310,804

Distribution of the Group's assets and revenue according to geographical segmentation

All Bank's and Group's non-current assets other than financial instruments are located in Lithuania. No material revenue is earned by the Group in foreign countries.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 1
NET INTEREST INCOME

	2020		2019	
	Group	Bank	Group	Bank
Interest revenue calculated using the effective interest method (on financial assets at amortized cost and fair value through other comprehensive income):	78,502	65,067	73,401	63,842
on loans to other banks and financial institutions and placements with credit institutions	921	3,762	808	4,396
on loans to customers	70,725	54,688	63,413	50,422
on debt securities at amortized cost	6,559	6,381	8,942	8,818
on debt securities at fair value through other comprehensive income	297	236	238	206
Other similar income:	7,527	7,435	7,223	7,074
on debt securities at fair value through profit or loss	292	214	507	392
on finance leases	7,111	7,097	6,664	6,630
other interest income	124	124	52	52
Total interest income	86,029	72,502	80,624	70,916
Interest expense:				
on financial liabilities designated at fair value through profit or loss	—	—	—	—
on financial liabilities measured at amortised cost	(9,659)	(9,653)	(7,795)	(7,806)
on other liabilities	(662)	(418)	(417)	(226)
Total interest expense	(10,321)	(10,071)	(8,212)	(8,032)
Net interest income	75,708	62,431	72,412	62,884

NOTE 2
NET FEE AND COMMISSION INCOME

	2020		2019	
	Group	Bank	Group	Bank
Fee and commission income:				
for administration of loans of third parties	4,598	4,598	4,359	4,359
for settlement services	5,106	5,110	5,634	5,651
for cash operations	5,037	5,037	5,595	5,595
for account administration	4,011	4,011	3,843	3,843
for guarantees, letters of credit, documentary collection	763	763	685	685
for collection of utility and similar payments	272	276	269	273
for services related to securities	1,977	2,119	1,694	1,807
other fee and commission income	849	1,100	712	1,009
Total fee and commission income	22,613	23,014	22,791	23,222
Fee and commission expense:				
for payment cards	(3,459)	(3,459)	(3,315)	(3,309)
for cash operations	(1,203)	(1,203)	(1,130)	(1,130)
for correspondent bank and payment system fees	(671)	(452)	(611)	(456)
for services of financial data vendors	(190)	(190)	(189)	(189)
for services related to securities	(678)	(678)	(590)	(583)
other fee and commission expenses	(367)	(345)	(242)	(242)
Total fee and commission expense	(6,568)	(6,327)	(6,077)	(5,909)
Net fee and commission income	16,045	16,687	16,714	17,313

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 3
NET GAIN FROM TRADING ACTIVITIES

	2020		2019	
	Group	Bank	Group	Bank
Net gain from operations with securities	4,407	4,841	7,189	3,486
Net gain from foreign exchange and related derivatives	7,161	7,156	7,855	7,790
Net gain (loss) from other derivatives	21	21	(31)	(31)
Total net gain from trading activities	11,589	12,018	15,013	11,245

NET GAIN FROM OPERATIONS WITH SECURITIES

	2020		2019	
	Group	Bank	Group	Bank
Securities in the trading book:				
Realised gain (loss) on equity securities	40	(164)	161	49
Unrealised gain (loss) on equity securities	(492)	78	3,252	17
Realised gain on debt securities	27	25	414	378
Unrealised gain (loss) on debt securities	(132)	(62)	552	549
Dividend and other income from equity securities in the trading book	23	23	35	35
Net gain (loss) on securities in the trading book	(534)	(100)	4,414	1,028
Investment securities:				
Realised gain (loss) on investment equities at fair value through profit or loss	657	657	163	151
Unrealised gain on investment equities at fair value through profit or loss	(264)	(264)	516	211
Realised gain on debt securities at fair value through other comprehensive income	393	393	166	166
Realised gain on debt securities at amortized cost	4,149	4,149	1,923	1,923
Dividend and other income from investment equities	6	6	7	7
Net gain on investment securities	4,941	4,941	2,775	2,458
Total	4,407	4,841	7,189	3,486

Group's net gain on operations with securities in the trading book includes investment result of the insurance company assets under unit-linked contracts (see Note 5): a net loss of EUR 421 thousand in 2020 and a net gain of EUR 3,342 thousand in 2019.

Bank's internal policy allows frequent, but strictly limited in scale and infrequent but larger scale sales of debt securities at amortized cost. In 2020, a case of larger scale securities at amortized cost sales occurred as in the second quarter, in the light of major uncertainties resulting from Covid-19 pandemic that may have resulted in a potential market strain, Bank's management confirmed a program to sell the securities at amortized cost with potentially risky characteristics with an aim to reduce the overall debt security at amortized cost portfolio credit risk and avoid potential impairments (amounts sold are disclosed in Note 15).

NET GAIN FROM FOREIGN EXCHANGE AND RELATED DERIVATIVES

	2020		2019	
	Group	Bank	Group	Bank
Net gain from foreign exchange	13,590	13,585	3,703	3,638
Net gain (loss) from derivatives related with foreign exchange	(6,429)	(6,429)	4,152	4,152
Total	7,161	7,156	7,855	7,790

Group's net gain from foreign exchange includes investment result of the insurance company assets under unit-linked contracts (see Note 5): a net gain of EUR 5 thousand in 2020 and a net gain of EUR 65 thousand in 2019.

NET GAIN (LOSS) FROM OTHER DERIVATIVES

	2020		2019	
	Group	Bank	Group	Bank
Net gain (loss) from derivatives related to prices of financial instruments	21	21	(31)	(31)
Total	21	21	(31)	(31)

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 4
OTHER OPERATING EXPENSES

	2020		2019	
	Group	Bank	Group	Bank
Rent of buildings and premises	(295)	(240)	(191)	(196)
Utility services for buildings and premises	(748)	(680)	(748)	(681)
Other expenses related to buildings and premises	(1,315)	(1,313)	(1,389)	(1,385)
Transportation expenses	(307)	(242)	(413)	(319)
Legal costs	(290)	(290)	(368)	(368)
Personnel and training expenses	(305)	(280)	(389)	(371)
IT and communication expenses	(5,188)	(4,595)	(3,698)	(3,329)
Marketing and charity expenses	(2,716)	(1,211)	(3,319)	(1,685)
Service organisation expenses	(2,058)	(1,943)	(1,582)	(1,440)
Non-income taxes, fines	(250)	204	(1,368)	(793)
Costs incurred due to debt recovery	(384)	(116)	(423)	(175)
Other expenses	(1,321)	(975)	(1,270)	(588)
Total	(15,177)	(11,681)	(15,158)	(11,330)

NOTE 5
REVENUE AND EXPENSES RELATED TO INSURANCE ACTIVITIES

Bank's subsidiary SB Draudimas GD UAB (name changed from Bonum Publicum; hereinafter - insurance company) is engaged in life insurance business. Revenue and expenses from main activities of this company are presented in the tables below.

REVENUE RELATED TO INSURANCE ACTIVITIES

	2020		2019	
	Group	Bank	Group	Bank
Revenue related to insurance activities	7,225	—	6,962	—
Total	7,225	—	6,962	—

EXPENSES RELATED TO INSURANCE ACTIVITIES

	2020		2019	
	Group	Bank	Group	Bank
Expenses related to insurance activities:				-
*change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts**	400	—	(3,447)	—
other changes of the technical insurance provisions	(2,351)	—	(1,481)	—
insurance benefits paid	(2,827)	—	(3,271)	—
commission expenses incurred and other	(670)	—	(565)	—
Total	(5,448)	—	(8,764)	—

* The investment result of the insurance company assets under unit-linked contracts is included in the following income statement lines:

	2020		2019	
	Group	Bank	Group	Bank
Interest and similar income	61	—	40	—
Net gain (loss) from operations with securities	(421)	—	3,342	—
Net gain from foreign exchange	(3)	—	65	—
Total	(363)	—	3,447	—

NOTE 6
OTHER INCOME

NET GAIN FROM DISPOSAL OF TANGIBLE ASSETS

In 2020 net gain on disposal of tangible assets (mostly real estate, accounted for as Property, plant and equipment, Investment property or Inventories in the statement of financial position) at the Group amounted to EUR 376 thousand (Bank: net gain of EUR 7 thousand). In 2019 net gain on disposal of tangible assets (mostly real estate, accounted for as Property, plant and equipment, Investment property or Inventories in the statement of financial position) at the Group amounted to EUR 3,462 thousand (Bank: net gain of EUR 198 thousand).

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 6
OTHER INCOME (continued)

NET GAIN FROM DERECOGNITION OF FINANCIAL ASSETS

Net gain from derecognition of financial assets (for the year ended 31 December 2020: Group EUR 1,265 thousand, Bank EUR 384 thousand; for the year ended 31 December 2019: Group EUR 2,442 thousand, Bank EUR 1,184 thousand) is based on the difference of the carrying value of loans to customers (accounted at amortized cost) at the moment of sale and the proceeds from sale. Loans to customers facing credit difficulties sold as part of the Group's problem loan recovery activities comprise the major part of loans sold.

Net gain from sale of debt securities at amortized cost as well as from other securities in included in trading income (Note 3).

OTHER OPERATING INCOME

	2020		2019	
	Group	Bank	Group	Bank
Income from rent of investment property and other income from investment property	330	42	803	157
Income from rent of other assets	225	144	199	111
Net gain (loss) from modification of financial assets	(47)	(32)	124	124
Other income	266	298	372	188
Total	774	452	1,498	580

NOTE 7
IMPAIRMENT LOSSES

	2020		2019	
	Group	Bank	Group	Bank (restated)
Impairment losses on loans:				
Impairment charge for the year, net (see Note 13)	11,270	10,294	8,000	8,000
Recoveries of loans previously written off	(1,309)	(694)	(1,808)	(1,808)
Total impairment losses (reversals) on loans	9,961	9,600	6,192	6,192
Impairment losses on finance lease receivables:				
Impairment charge for the year, net (see Note 14)	656	655	1,341	1,341
Recovered previously written-off finance lease receivables	(142)	—	(375)	(375)
Total impairment losses (reversals) on finance lease receivables	514	655	966	966
Total impairment losses (reversals) on loans and finance lease receivables	10,475	10,255	7,158	7,158
Impairment losses on financial assets other than loans and finance lease receivables:				
Due from other banks: impairment charge, net (see Note 10)	20	20	9	9
Debt securities: impairment charge, net (see Note 15)	56	52	(62)	(62)
Other financial assets: impairment charge, net (see Note 19)	(352)	(350)	134	134
Total impairment losses on financial assets other than loans and finance lease receivables:	(276)	(278)	81	81
Non-financial assets:				
Goodwill: impairment charge	—	—	—	—
Non-financial assets other than goodwill: impairment charge	2,007	7	1,100	1,100
Non-financial assets other than goodwill: reversal of impairment charge	(34)	(34)	(385)	(385)
Total impairment losses on non-financial assets:	1,973	(27)	715	715
Provisions (see Note 25):				
Provisions for pending legal issues: charge	—	—	—	—
Provisions for commitments and guarantees given: charge / (reversal)	(199)	—	438	438
Total provisions:	(199)	—	438	438
Total impairment losses on other assets	1,498	(305)	1,234	1,234
Impairment losses on subsidiaries (see Note 16):				
Investments in subsidiaries: impairment charge	—	114	—	—
Investments in subsidiaries: reversal of impairment charge	—	—	—	—
Total impairment losses on subsidiaries	—	114	—	—
Total	11,973	10,064	8,392	8,392

Impairment losses on other non-financial assets other than goodwill include impairment of investment properties (Note 26), investments classified as held for sale and other non-financial assets (Note 19).

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 8
INCOME TAX

	2020		2019	
	Group	Bank	Group	Bank
Current tax	10,081	9,125	8,477	7,581
Deferred taxes	(511)	(908)	81	(353)
Deferred tax adjustment due to change in tax rate	—	—	(29)	(29)
Adjustment of previous year income tax	317	317	(299)	(299)
Total	9,887	8,534	8,230	6,900

The tax on the Bank's and the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2020		2019	
	Group	Bank	Group	Bank
Profit before income tax from continuing operations	52,808	51,629	59,752	60,003
Tax calculated at a tax rate of 15%	7,921	7,744	8,963	9,000
Tax calculated at a tax rate of 5%	2,481	2,481	—	—
Income not subject to tax	(5,645)	(3,127)	(2,982)	(1,593)
Expenses not deductible for tax purposes	5,070	1,488	2,894	133
Additional deduction of film, charity expenses	(369)	(369)	(341)	(341)
Adjustments of previous year income tax	317	317	(311)	(299)
Unrecognized deferred tax assets for recognized tax losses	112	—	7	—
Income tax charge	9,887	8,534	8,230	6,900

Deferred tax assets

	Group						Bank			
	Revaluation of financial instruments and other assets	*Impairment of investment property and inventories*	*Accruals*	*Right of use*	*Carryforward of unused tax losses*	*Total*	*Accruals*	*Right of use*	*Revaluation of financial instruments and other assets*	*Total*
At 1 January 2019	(273)	(595)	(302)	(7)	(81)	(1,258)	(300)	(7)	(273)	(580)
To be credited/(charged) to net profit	(238)	33	(128)	16	55	(262)	(130)	16	(238)	(352)
To be credited/ (charged) to other comprehensive income	130	—	—	—	—	130	—	—	130	130
Tax rate change effect	(14)	—	(15)	—	—	(29)	(15)	—	(14)	(29)
At 31 December 2019	**(395)**	**(562)**	**(445)**	**9**	**(26)**	**(1,419)**	**(445)**	**9**	**(395)**	**(831)**
To be credited/(charged) to net profit	(778)	154	(114)	(16)	(106)	(860)	(114)	(16)	(778)	(908)
To be credited/ (charged) to other comprehensive income	49	—	—	—	—	49	—	—	49	49
Reclassification to discontinued activity	—	152	—	—	—	152	—	—	—	—
At 31 December 2020	**(1,124)**	**(256)**	**(559)**	**(7)**	**(132)**	**(2,078)**	**(559)**	**(7)**	**(1,124)**	**(1,690)**

Deferred tax liabilities

	Group		
	Right of use assets	Revaluation of financial instruments and other assets	Total
At 1 January 2019	**—**	**598**	**598**
To be credited/(charged) to net profit	1	343	344
To be credited/ (charged) to other comprehensive income	(2)	(23)	(25)
At 31 December 2019	**(1)**	**918**	**917**
To be credited/(charged) to net profit	1	333	334
To be credited/ (charged) to other comprehensive income	—	—	—
At 31 December 2020	**—**	**1,251**	**1,251**

NOTE 8
INCOME TAX (continued)

Taxable losses of the Group and the Bank are carried forward for indefinite term through the use of future taxable profits. Management of the Bank has estimated that future taxable profits of the Bank and the Group will be sufficient to realize the accumulated tax losses. Therefore deferred tax asset from the accumulated tax losses was recognized.

Projected terms of expected utilization of deferred tax assets, netted with projected payment of deferred tax liabilities, are presented in the table below:

		2020		*2019*
	Group	Bank	Group	Bank
Up to 1 year	(711)	(679)	(874)	—
2-5 years	(116)	(1,011)	1,376	831
Total	**(827)**	**(1,690)**	**502**	**831**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

		2020		*2019*
	Group	Bank	Group	Bank
Deferred tax assets	(2,078)	(1,690)	(1,419)	(831)
Deferred tax liabilities	1,251	—	917	—

NOTE 9
EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period. There were no potential ordinary shares at 31 December 2019 and 31 December 2019, therefore the Group had no dilutive potential ordinary shares and diluted earnings per share are equal to basic earnings per share.

The number of shares in issue for the year ended 31 December 2020 and 31 December 2019 was 600,726 thousand. Weighted average number of shares in issue for the year ended 31 December 2020 was 600,717 thousand (2019: 600,707 thousand).

Basic earnings per share

Group

	2020	*2019*
Net profit from continuing operations attributable to equity holders	42,921	51,522
Net profit (loss) from discontinued operations attributable to equity holders	121	—
Net profit attributable to equity holders	**43,042**	**51,522**
Weighted average number of shares in issue during the period (thousand units)	600,717	600,707
Basic earnings per share (EUR)	**0.07**	**0.09**
Basic earnings per share (EUR) from continuing operations	0.07	0.09
Basic earnings per share (EUR) from discontinued operations	0,00	—

NOTE 10
CASH AND CASH EQUIVALENTS

		2020		*2019*
	Group	Bank	Group	Bank
Cash and other valuables	69,496	69,398	63,322	63,206
Balances in bank correspondent accounts:				
Gross value	13,115	12,278	31,424	28,205
Allowance for impairment	(8)	(8)	(13)	(13)
Total balances in bank correspondent accounts, net value	13,107	12,270	31,411	28,192
Placements with Central Bank:				
Correspondent account with Central Bank	120,407	120,407	69,961	69,961
Mandatory reserves in local currency, gross value	229,608	229,608	20,233	20,233
Mandatory reserves in local currency, allowance for impairment	(34)	(34)	(10)	(10)
Total placements with Central Bank, net value	349,981	349,981	90,184	90,184
Total	**432,584**	**431,649**	**184,917**	**181,582**

The compulsory reserves held in the Bank of Lithuania are estimated on a monthly basis based on the value of indicated liabilities using the established compulsory reserve rate. With effect from 1 January 2015, the compulsory reserve rate was set at 1%. The mandatory reserves are held with the Bank of Lithuania in the form of current deposits. The Bank is free to use the funds held in the current account with the Bank of Lithuania, the average monthly amount of which may be not less than the estimated compulsory reserves.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 10
CASH AND CASH EQUIVALENTS (continued)

The balances in bank correspondent accounts and placements with Central Bank are classified as Stage 1 financial assets. Breakdown of balances in bank correspondent accounts by credit rating is presented in the table below:

Rating *

	2020		2019	
	Group	Bank	Group	Bank
From AA- to AA+	1,889	1,721	10,887	8,704
From A- to A+	4,797	4,526	6,907	6,907
From BBB- to BBB+	2,484	2,130	7,684	6,778
Lower than BBB-	787	787	1,553	1,553
No external credit rating (Standard internal rating)	2,803	2,759	4,393	4,263
No external rating (Substandard internal rating)	355	355	—	—
Total	**13,115**	**12,278**	**31,424**	**28,205**

* for local banks that are subsidiaries of foreign banks, credit rating of the parent institution is used in case no credit rating of the local institution is available.

Reconciliation of allowance for impairment of cash and cash equivalents (including due from banks presented in Note 11) is presented in the table below:

	Group	Bank
Allowance for impairment of cash equivalents and due from banks as of 1 January 2019:	13	13
Change in allowance for impairment	9	9
FX and other movements	1	1
Allowance for impairment of cash equivalents and due from banks as of 31 December 2019:	23	23
Change in allowance for impairment	20	20
FX and other movements	(1)	(1)
Allowance for impairment of cash equivalents and due from banks as of 31 December 2020:	42	42

As of 31 December 2020, balances in correspondent accounts in amount of EUR 2,574 thousand (as of 31 December - EUR 4,132 thousand) were pledged for derivatives contracts.

Liabilities from financing activities

The table below sets out movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

	2020				2019			
	Dividends payable	Debt securities in issue	Lease liabilities	Total	Dividends payable	Debt securities in issue	Lease liabilities	Total
As at 1 January	55	20,044	2,780	22,879	16	20,003	3,625	23,644
Dividends declared	—	—	—	—	17,421	—	—	17,421
Issuance in cash	—	—	—	—	—	20,000	—	20,000
Contract additions / terminations	—	—	6,074	6,074	—	—	528	528
Payment in cash	(10)	—	(1,569)	(1,579)	(17,382)	—	(1,431)	(18,813)
Redemption in cash	—	—	—	—	—	(20,000)	—	(20,000)
Accrued interest	—	1,213	29	1,242	—	161	58	219
Coupon payments in cash	—	(1,230)	—	(1,230)	—	(120)	—	(120)
As at of 31 December	45	20,027	7,314	27,386	55	20,044	2,780	22,879

The table below sets out movements in the Bank's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

	2020				2019			
	Dividends payable	Debt securities in issue	Lease liabilities	Total	Dividends payable	Debt securities in issue	Lease liabilities	Total
As at 1 January	55	20,044	2,532	22,631	16	20,003	3,131	23,150
Dividends declared	—	—	—	—	17,421	—	—	17,421
Issuance in cash	—	—	—	—	—	20,000	—	20,000
Contract additions / terminations	—	—	5,766	5,766	—	—	563	563
Payment in cash	(10)	—	(1,376)	(1,386)	(17,382)	—	(1,214)	(18,596)
Redemption in cash	—	—	—	—	—	(20,000)	—	(20,000)
Accrued interest	—	1,213	22	1,235	—	161	52	213
Coupon payments in cash	—	(1,230)	—	(1,230)	—	(120)	—	(120)
As at of 31 December	45	20,027	6,944	27,016	55	20,044	2,532	22,631

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 11
DUE FROM OTHER BANKS

	2020		2019	
	Group	Bank	Group	Bank
Pledged deposits	540	540	46	46
Term deposits	370	370	100	100
Loans	688	688	134	134
Gross value	1,598	1,598	280	280
Allowance for impairment	—	—	—	—
Net value	1,598	1,598	280	280
Breakdown due from other banks by the maturity:				
Short-term (up to 1 year)	1,420	1,420	145	145
Long-term (over 1 year)	178	178	135	135
Total	1,598	1,598	280	280

As of 31 December 2020 and 31 December 2019, pledged deposits consisted of funds pledged for derivatives contracts. As of 31 December 2020, term deposits amounting to EUR 100 thousand were pledged for the guarantees or letters of credit issued for the Bank's clients, EUR 270 thousand – for derivatives contracts. As of 31 December 2019, term deposits amounting to EUR 100 thousand were pledged for the guarantees or letters of credit issued for the Bank's clients.

All amounts due from banks are classified as Stage 1 financial assets. Breakdown of balances due from banks by credit rating is presented in the table below:

Rating *

	2020		2019	
	Group	Bank	Group	Bank
From AA- to AA+	100	100	99	99
From A- to A+	688	688	145	145
From BBB- to BBB+	810	810	36	36
Total	1,598	1,598	280	280

* for local banks that are subsidiaries of foreign banks, credit rating of the parent institution is used in case no credit rating of the local institution.

NOTE 12
FINANCIAL ASSETS AND LIABILITIES IN THE TRADING BOOK

Total balances of financial assets and liabilities in the trading book are presented in the table below:

	2020		2019	
	Group	Bank	Group	Bank
Assets:				
Derivatives:	445	445	986	986
currency derivatives	*445*	*445*	*437*	*437*
derivatives related to prices of financial instruments	—	—	*549*	*549*
Securities in the trading book	37,068	9,582	40,427	15,354
Liabilities:				
Derivatives:	3,840	3,840	(945)	(945)
currency derivatives	*3,840*	*3,840*	*(374)*	*(374)*
derivatives related to prices of financial instruments	—	—	*(571)*	*(571)*

Derivative Financial Instruments – Currency Derivatives

As of 31 December 2020 and 31 December 2019, the Group and the Bank had exposure to currency forwards, which represent commitments to purchase and/or sell foreign and local currency in the future at a fixed price.

	2020		2019	
	Group	Bank	Group	Bank
Currency forwards:				
Assets	445	445	437	437
Liabilities	(3,840)	(3,840)	(374)	(374)
Notional amount	161,262	161,262	86,604	86,604
Net gain (loss) from currency derivatives in profit or loss	(6,429)	(6,429)	4,152	4,152

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 12
FINANCIAL ASSETS AND LIABILITIES IN THE TRADING BOOK (continued)

Derivative Financial Instruments – Derivatives Related to Prices of Financial Instruments

The Bank had issued fixed term deposits with additional interest that may be paid for the entire deposit term, if the value of the underlying assets (a group of equity or other financial instruments) linked with the deposit reaches the barrier. Deposit additional interest condition is a call option sold to the customer therefore it is treated as a derivative embedded in the host contract (deposit). The Bank used call options bought from other counterparties to close the position resulting from embedded options in the deposit contracts. Details on the Bank's options related to prices of financial instruments are presented below:

		2020		2019
	Group	Bank	Group	Bank
Options bought				
Assets (carrying amount of the options bought)	—	—	549	549
Potential maximal inflow for the options bought	—	—	2,018	2,018
Revaluation of the options bought through profit or loss	—	—	(632)	(632)
Options sold				
Liabilities (carrying amount of the options sold)	—	—	(571)	(571)
Potential maximal outflow for the options sold	—	—	2,132	2,132
Revaluation of the options sold through profit or loss	—	—	601	601
Net gain (loss) from derivatives related to prices of financial instruments in profit or loss	21	21	(31)	(31)

Securities in the Trading Book

		2020		2019
	Group	Bank	Group	Bank
Trading debt securities:				
Government bonds	3,669	4,182	3,202	2,535
Corporate bonds	8,137	4,662	12,925	12,011
Other trading book debt securities:				
Government bonds	2,734	—	1,977	—
Total debt securities	**14,540**	**8,844**	**18,104**	**14,546**
Trading equity securities	738	738	808	808
Other trading book equity securities	21,790	—	21,515	—
Total equity securities	**22,528**	**738**	**22,323**	**808**
Total securities in the trading book	**37,068**	**9,582**	**40,427**	**15,354**
Breakdown of debt securities by time remaining to maturity:				
Short-term (up to 1 year)	1,687	637	2,403	1,488
Long-term (over 1 year)	34,643	8,207	15,701	13,058
Total	**36,330**	**8,844**	**18,104**	**14,546**

Securities in the trading book are comprised of trading securities and other securities that cover technical insurance provisions under unit-linked insurance contracts of life insurance subsidiary. These securities are measured at fair value through profit or loss.

Securities in the trading book have not been pledged as at 31 December 2020 and 2019.

All of the securities in the trading book, except for unlisted securities, are accounted at fair value that is determined using level 1 requirements as described in fair value hierarchy in Section 4.2 of Financial Risk Management, i.e. fair value is based on quoted prices in active markets for identical assets and liabilities. Unlisted securities are accounted at fair value that is determined using level 3 requirements.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 12
FINANCIAL ASSETS AND LIABILITIES IN THE TRADING BOOK (continued)

Breakdown of securities in the trading book as at 31 December 2020 and 2019:

	2020		2019	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	11,806	8,844	16,127	14,546
AAA	—	—	—	—
from AA- to AA+	—	—	1,201	1,201
from A- to A+	3,968	3,771	3,121	2,918
from BBB- to BBB+	1,665	1,035	7,773	6,765
from BB- to BB+	973	610	1,932	1,562
lower than BB-	270	270	75	75
no rating	4,930	3,158	2,025	2,025
Equities	738	738	808	808
listed	732	732	805	805
unlisted	6	6	3	3
units of investment funds	—	—	—	—
Total trading securities	12,544	9,582	16,935	15,354
Other trading book securities:				
Debt securities	2,734	—	1,977	—
AAA	—	—	—	—
from AA- to AA+	—	—	—	—
from A- to A+	216	—	1,202	—
from BBB- to BBB+	1,614	—	472	—
from BB- to BB+	97	—	—	—
lower than BB-	—	—	—	—
no rating	807	—	303	—
Equities	21,790	—	21,515	—
listed	—	—	—	—
unlisted	—	—	—	—
units of investment funds	21,790	—	21,515	—
Total other trading book securities	24,524	—	23,492	—
TOTAL	37,068	9,582	40,427	15,354

Amount of change in its fair value that is attributable to changes in the credit risk of the asset of Group's other trading book debt securities:

	2020		2019	
	During the year	Cumulative	During the year	Cumulative
Change in fair value attributable to credit risk	(30)	(37)	(4)	(7)

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS

	2020 Group	2020 Bank	2019 Group	2019 Bank
Gross loans to customers	1,648,446	1,630,184	1,553,087	1,542,117
Allowance for loan impairment	(42,783)	(37,821)	(38,509)	(32,065)
NET LOANS TO CUSTOMERS	1,605,663	1,592,363	1,514,578	1,510,052
Breakdown of loans to customers according to maturity				
Short-term (up to 1 year)	340,229	391,407	425,280	479,679
Long-term (over 1 year)	1,265,434	1,200,956	1,089,298	1,030,373
Total	1,605,663	1,592,363	1,514,578	1,510,052

In 2020, the Group's loan portfolio growth was impacted by Covid-19 pandemic. Loan demand was significantly reduced during the first months of the pandemic (March - June), the main focus was on retention of quality of original portfolio at that time. The Bank joined the moratoria initiated by the Association of Lithuanian Banks (ALB), also offered loan extension measures for those clients that did not qualify for ALB moratoria. For more information on loan modifications during the pandemic, please see section 1.5.g. of the Financial Risk Management disclosure. In the second half of the year, the demand rebounded and portfolio growth trends were visible. In second quarter, the Bank acquired private customers' credit portfolio from Danske Bank A/S Lithuania branch, which was mainly comprised of mortgage loans for EUR 108 million, other than that the origination of new loans was organic. In 2020, despite no material increases in payment delays were observed, an increased migration to Stage 2 and Stage 3 was observed, it is attributable to two factors: changes were made to the staging criteria (aligning with the supervisory guidelines, additional scenarios for assignment of loans to Stage 2 and Stage 3 were introduced: for Stage 2, additional scenarios including the inclusion in Watch List and loan modifications due to financial difficulties of the borrower were included; for Stage 3, additional scenarios for assessment of unlikeliness to pay were introduced), which were the main reason for migrations to Stage 3 and caused some migrations from Stage 1 to Stage 2; increases to Stage 2 loans attributable to pandemic impacts were observed (deterioration of customers financial position from the initial, or granting loan extension measures not qualifying to the ALB moratoria were the main reasons for migration from Stage 1 to Stage 2). ECL have increased owing to changes in loan staging structure, calculation parameters (mainly PDs) and corresponding loan risk parameters (such as riskiness of customers and collateral structure).

Reconciliation of the gross loan amount is presented in the following tables.

Group gross loans to customers

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Gross carrying amount as at 1 January	1,343,181	131,631	78,275	1,553,087	1,086,571	140,917	77,445	1,304,933
Transfer between stages:								
from Stage 1 to Stage 2	*(176,400)*	*176,400*	—	—	*(57,914)*	*57,914*	—	—
from Stage 1 to Stage 3	*(48,037)*	—	*48,037*	—	*(16,247)*	—	*16,247*	—
from Stage 2 to Stage 1	*15,804*	*(15,804)*	—	—	*19,080*	*(19,080)*	—	—
from Stage 2 to Stage 3	—	*(8,957)*	*8,957*	—	—	*(6,946)*	*6,946*	—
from Stage 3 to Stage 1	*374*	—	*(374)*	—	*2,466*	—	*(2,466)*	—
from Stage 3 to Stage 2	—	*1,506*	*(1,506)*	—	—	*571*	*(571)*	—
New loans originated or loan amounts increased	520,506	36,201	7,998	564,705	566,667	24,786	8,335	599,788
Loans derecognized during the period (other than write-offs)	(371,731)	(68,494)	(22,152)	(462,377)	(257,480)	(66,531)	(15,420)	(339,431)
Loans written-off during the period	(1,124)	(629)	(5,219)	(6,972)	—	—	(12,257)	(12,257)
FX and other movements	8	(8)	2	2	38	—	16	54
Gross carrying amount as at 31 December	1,282,582	251,850	114,014	1,648,446	1,343,181	131,631	78,275	1,553,087

Bank gross loans to customers

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Gross carrying amount as at 1 January	1,338,335	128,344	75,438	1,542,117	1,085,739	141,666	74,187	1,301,592
Transfer between stages:								
from Stage 1 to Stage 2	*(173,564)*	*173,564*	—	—	*(55,963)*	*55,963*	—	—
from Stage 1 to Stage 3	*(50,184)*	—	*50,184*	—	*(14,618)*	—	*14,618*	—
from Stage 2 to Stage 1	*14,558*	*(14,558)*	—	—	*18,311*	*(18,311)*	—	—
from Stage 2 to Stage 3	—	*(8,014)*	*8,014*	—	—	*(6,138)*	*6,138*	—
from Stage 3 to Stage 1	*325*	—	*(325)*	—	*2,410*	—	*(2,410)*	—
from Stage 3 to Stage 2	—	*1,503*	*(1,503)*	—	—	*566*	*(566)*	—
New loans originated or loan amounts increased	458,183	34,249	7,409	499,841	523,951	21,751	7,286	552,988
Loans derecognized during the period (other than write-offs)	(319,686)	(67,518)	(20,057)	(407,261)	(221,533)	(67,153)	(14,371)	(303,057)
Loans written-off during the period	(3)	—	(4,511)	(4,514)	—	—	(9,460)	(9,460)
FX and other movements	8	—	(7)	1	38	—	16	54
Gross carrying amount as at 31 December	1,267,972	247,570	114,642	1,630,184	1,338,335	128,344	75,438	1,542,117

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Group gross loans to individuals (retail)

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Gross carrying amount as at 1 January	347,259	11,106	9,020	367,385	230,823	10,412	11,181	252,416
Transfer between stages:								
from Stage 1 to Stage 2	(6,199)	6,199	—	—	(3,414)	3,414	—	—
from Stage 1 to Stage 3	(3,865)	—	3,865	—	(2,189)	—	2,189	—
from Stage 2 to Stage 1	2,662	(2,662)	—	—	1,052	(1,052)	—	—
from Stage 2 to Stage 3	—	(1,930)	1,930	—	—	(1,791)	1,791	—
from Stage 3 to Stage 1	327	—	(327)	—	2,433	—	(2,433)	—
from Stage 3 to Stage 2	—	83	(83)	—	—	188	(188)	—
New loans originated or loan amounts increased	279,118	5,980	1,938	287,036	190,566	3,346	1,256	195,168
Loans derecognized during the period (other than write-offs)	(86,619)	(3,703)	(5,075)	(95,397)	(72,012)	(3,411)	(1,390)	(76,813)
Loans written-off during the period	(1,124)	(629)	(1,032)	(2,785)	—	—	(3,386)	(3,386)
FX and other movements	9	(2)	1	8	—	—	—	—
Gross carrying amount as at 31 December	531,568	14,442	10,237	556,247	347,259	11,106	9,020	367,385

Bank gross loans to individuals (retail)

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Gross carrying amount as at 1 January	235,709	6,422	5,835	247,966	166,903	6,770	8,354	182,027
Transfer between stages:								
from Stage 1 to Stage 2	(3,364)	3,364	—	—	(1,463)	1,463	—	—
from Stage 1 to Stage 3	(1,303)	—	1,303	—	(744)	—	744	—
from Stage 2 to Stage 1	1,415	(1,415)	—	—	283	(283)	—	—
from Stage 2 to Stage 3	—	(987)	987	—	—	(895)	895	—
from Stage 3 to Stage 1	279	—	(279)	—	2,377	—	(2,377)	—
from Stage 3 to Stage 2	—	81	(81)	—	—	183	(183)	—
New loans originated or loan amounts increased	209,736	4,028	1,304	215,068	100,983	312	186	101,481
Loans derecognized during the period (other than write-offs)	(30,464)	(1,329)	(3,054)	(34,847)	(32,630)	(1,128)	(1,195)	(34,953)
Loans written-off during the period	(3)	—	(324)	(327)	—	—	(589)	(589)
FX and other movements	8	(2)	(1)	5	—	—	—	—
Gross carrying amount as at 31 December	412,013	10,162	5,690	427,865	235,709	6,422	5,835	247,966

Group gross loans to individuals (retail): Consumer loans

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Gross carrying amount as at 1 January	133,936	5,000	3,442	142,378	91,756	3,952	3,211	98,919
Transfer between stages:								
from Stage 1 to Stage 2	(3,161)	3,161	—	—	(2,261)	2,261	—	—
from Stage 1 to Stage 3	(2,725)	—	2,725	—	(1,696)	—	1,696	—
from Stage 2 to Stage 1	1,400	(1,400)	—	—	926	(926)	—	—
from Stage 2 to Stage 3	—	(983)	983	—	—	(945)	945	—
from Stage 3 to Stage 1	74	—	(74)	—	92	—	(92)	—
from Stage 3 to Stage 2	—	9	(9)	—	—	20	(20)	—
New loans originated or loan amounts increased	69,867	1,965	638	72,470	95,207	3,092	1,139	99,438
Loans derecognized during the period (other than write-offs)	(65,946)	(2,555)	(2,031)	(70,532)	(50,088)	(2,454)	(307)	(52,849)
Loans written-off during the period	(1,124)	(629)	(958)	(2,711)	—	—	(3,130)	(3,130)
FX and other movements	7	(3)	—	4	—	—	—	—
Gross carrying amount as at 31 December	132,328	4,565	4,716	141,609	133,936	5,000	3,442	142,378

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Bank gross loans to individuals (retail): Consumer loans

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	22,386	316	278	22,980	27,836	310	384	28,530
Transfer between stages:								
from Stage 1 to Stage 2	*(326)*	*326*	*—*	*—*	*(310)*	*310*	*—*	*—*
from Stage 1 to Stage 3	*(163)*	*—*	*163*	*—*	*(251)*	*—*	*251*	*—*
from Stage 2 to Stage 1	*153*	*(153)*	*—*	*—*	*157*	*(157)*	*—*	*—*
from Stage 2 to Stage 3	*—*	*(40)*	*40*	*—*	*—*	*(49)*	*49*	*—*
from Stage 3 to Stage 1	*26*	*—*	*(26)*	*—*	*36*	*—*	*(36)*	*—*
from Stage 3 to Stage 2	*—*	*7*	*(7)*	*—*	*—*	*15*	*(15)*	*—*
New loans originated or loan amounts increased	485	13	4	502	5,624	58	90	5,772
Loans derecognized during the period (other than write-offs)	(9,791)	(181)	(10)	(9,982)	(10,706)	(171)	(112)	(10,989)
Loans written-off during the period	(3)	—	(250)	(253)	—	—	(333)	(333)
FX and other movements	6	(3)	(2)	1	—	—	—	—
Gross carrying amount as at 31 December	12,773	285	190	13,248	22,386	316	278	22,980

Group gross loans to individuals (retail): Mortgages

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	96,764	4,643	1,453	102,860	44,990	4,180	1,914	51,084
Transfer between stages:								
from Stage 1 to Stage 2	*(784)*	*784*	*—*	*—*	*(1,073)*	*1,073*	*—*	*—*
from Stage 1 to Stage 3	*(963)*	*—*	*963*	*—*	*(209)*	*—*	*209*	*—*
from Stage 2 to Stage 1	*1,181*	*(1,181)*	*—*	*—*	*74*	*(74)*	*—*	*—*
from Stage 2 to Stage 3	*—*	*(648)*	*648*	*—*	*—*	*(264)*	*264*	*—*
from Stage 3 to Stage 1	*235*	*—*	*(235)*	*—*	*55*	*—*	*(55)*	*—*
from Stage 3 to Stage 2	*—*	*60*	*(60)*	*—*	*—*	*110*	*(110)*	*—*
New loans originated or loan amounts increased	200,488	3,747	1,300	205,535	58,780	48	8	58,836
Loans derecognized during the period (other than write-offs)	(9,170)	(482)	(179)	(9,831)	(5,853)	(430)	(554)	(6,837)
Loans written-off during the period	—	—	—	—	—	—	(223)	(223)
FX and other movements	(2)	—	2	—	—	—	—	—
Gross carrying amount as at 31 December	287,749	6,923	3,892	298,564	96,764	4,643	1,453	102,860

Bank gross loans to individuals (retail): Mortgages

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	96,764	4,643	1,453	102,860	44,990	4,180	1,914	51,084
Transfer between stages:								
from Stage 1 to Stage 2	*(784)*	*784*	*—*	*—*	*(1,073)*	*1,073*	*—*	*—*
from Stage 1 to Stage 3	*(963)*	*—*	*963*	*—*	*(209)*	*—*	*209*	*—*
from Stage 2 to Stage 1	*1,181*	*(1,181)*	*—*	*—*	*74*	*(74)*	*—*	*—*
from Stage 2 to Stage 3	*—*	*(648)*	*648*	*—*	*—*	*(264)*	*264*	*—*
from Stage 3 to Stage 1	*235*	*—*	*(235)*	*—*	*55*	*—*	*(55)*	*—*
from Stage 3 to Stage 2	*—*	*60*	*(60)*	*—*	*—*	*110*	*(110)*	*—*
New loans originated or loan amounts increased	200,488	3,747	1,300	205,535	58,780	48	8	58,836
Loans derecognized during the period (other than write-offs)	(9,170)	(482)	(179)	(9,831)	(5,853)	(430)	(554)	(6,837)
Loans written-off during the period	—	—	—	—	—	—	(223)	(223)
FX and other movements	(2)	—	2	—	—	—	—	—
Gross carrying amount as at 31 December	287,749	6,923	3,892	298,564	96,764	4,643	1,453	102,860

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Group gross loans to individuals (retail): Other

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	116,559	1,463	4,125	122,147	94,077	2,280	6,056	102,413
Transfer between stages:								
from Stage 1 to Stage 2	(2,254)	2,254	—	—	(80)	80	—	—
from Stage 1 to Stage 3	(177)	—	177	—	(284)	—	284	—
from Stage 2 to Stage 1	81	(81)	—	—	52	(52)	—	—
from Stage 2 to Stage 3	—	(299)	299	—	—	(582)	582	—
from Stage 3 to Stage 1	18	—	(18)	—	2,286	—	(2,286)	—
from Stage 3 to Stage 2	—	14	(14)	—	—	58	(58)	—
New loans originated or loan amounts increased	8,763	268	—	9,031	36,579	206	109	36,894
Loans derecognized during the period (other than write-offs)	(11,503)	(666)	(2,865)	(15,034)	(16,071)	(527)	(529)	(17,127)
Loans written-off during the period	—	—	(74)	(74)	—	—	(33)	(33)
FX and other movements	4	1	(1)	4	—	—	—	—
Gross carrying amount as at 31 December	111,491	2,954	1,629	116,074	116,559	1,463	4,125	122,147

Bank gross loans to individuals (retail): Other

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	116,559	1,463	4,104	122,126	94,077	2,280	6,056	102,413
Transfer between stages:								
from Stage 1 to Stage 2	(2,254)	2,254	—	—	(80)	80	—	—
from Stage 1 to Stage 3	(177)	—	177	—	(284)	—	284	—
from Stage 2 to Stage 1	81	(81)	—	—	52	(52)	—	—
from Stage 2 to Stage 3	—	(299)	299	—	—	(582)	582	—
from Stage 3 to Stage 1	18	—	(18)	—	2,286	—	(2,286)	—
from Stage 3 to Stage 2	—	14	(14)	—	—	58	(58)	—
New loans originated or loan amounts increased	8,763	268	—	9,031	36,579	206	88	36,873
Loans derecognized during the period (other than write-offs)	(11,503)	(666)	(2,865)	(15,034)	(16,071)	(527)	(529)	(17,127)
Loans written-off during the period	—	—	(74)	(74)	—	—	(33)	(33)
FX and other movements	4	1	(1)	4	—	—	—	—
Gross carrying amount as at 31 December	111,491	2,954	1,608	116,053	116,559	1,463	4,104	122,126

Group gross loans to financial institutions

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	15	3,623	—	3,638	28	681	—	709
Transfer between stages:								
from Stage 1 to Stage 2	—	—	—	—	—	—	—	—
from Stage 1 to Stage 3	—	—	—	—	—	—	—	—
from Stage 2 to Stage 1	—	—	—	—	—	—	—	—
from Stage 2 to Stage 3	—	—	—	—	—	—	—	—
from Stage 3 to Stage 1	—	—	—	—	—	—	—	—
from Stage 3 to Stage 2	—	—	—	—	—	—	—	—
New loans originated or loan amounts increased	37,154	4,827	—	41,981	—	3,623	—	3,623
Loans derecognized during the period (other than write-offs)	(37,155)	(3,623)	—	(40,778)	(13)	(681)	—	(694)
Loans written-off during the period	—	—	—	—	—			
FX and other movements	—	—	—	—	—	—	—	—
Gross carrying amount as at 31 December	14	4,827	—	4,841	15	3,623	—	3,638

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Bank gross loans to financial institutions

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Gross carrying amount as at 1 January	96,500	3,623	—	100,123	49,590	681	—	50,271
Transfer between stages:								
from Stage 1 to Stage 2	—	—	—	—	—	—	—	—
from Stage 1 to Stage 3	—	—	—	—	—	—	—	—
from Stage 2 to Stage 1	—	—	—	—	—	—	—	—
from Stage 2 to Stage 3	—	—	—	—	—	—	—	—
from Stage 3 to Stage 1	—	—	—	—	—	—	—	—
from Stage 3 to Stage 2	—	—	—	—	—	—	—	—
New loans originated or loan amounts increased	44,213	4,827	—	49,040	46,926	3,623	—	50,549
Loans derecognized during the period (other than write-offs)	(38,004)	(3,623)	—	(41,627)	(16)	(681)	—	(697)
Loans written-off during the period	—	—	—	—	—			
FX and other movements	—	—	—	—	—	—	—	—
Gross carrying amount as at 31 December	102,709	4,827	—	107,536	96,500	3,623	—	100,123

Group gross loans to business customers

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Gross carrying amount as at 1 January	995,907	116,902	69,255	1,182,064	855,720	129,824	66,264	1,051,808
Transfer between stages:								
from Stage 1 to Stage 2	(170,201)	170,201	—	—	(54,500)	54,500	—	—
from Stage 1 to Stage 3	(44,172)	—	44,172	—	(14,058)	—	14,058	—
from Stage 2 to Stage 1	13,142	(13,142)	—	—	18,028	(18,028)	—	—
from Stage 2 to Stage 3	—	(7,027)	7,027	—	—	(5,155)	5,155	—
from Stage 3 to Stage 1	47	—	(47)	—	33	—	(33)	—
from Stage 3 to Stage 2	—	1,423	(1,423)	—	—	383	(383)	—
New loans originated or loan amounts increased	204,234	25,394	6,039	235,667	376,101	17,817	7,079	400,997
Loans derecognized during the period (other than write-offs)	(247,957)	(61,168)	(17,077)	(326,202)	(185,455)	(62,439)	(14,030)	(261,924)
Loans written-off during the period	—	—	(4,187)	(4,187)	—	—	(8,871)	(8,871)
FX and other movements	—	(2)	18	16	38	—	16	54
Gross carrying amount as at 31 December	751,000	232,581	103,777	1,087,358	995,907	116,902	69,255	1,182,064

Bank gross loans to business customers

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Gross carrying amount as at 1 January	1,006,126	118,299	69,603	1,194,028	869,246	134,215	65,833	1,069,294
Transfer between stages:								
from Stage 1 to Stage 2	(170,200)	170,200	—	—	(54,500)	54,500	—	—
from Stage 1 to Stage 3	(48,881)	—	48,881	—	(13,874)	—	13,874	—
from Stage 2 to Stage 1	13,143	(13,143)	—	—	18,028	(18,028)	—	—
from Stage 2 to Stage 3	—	(7,027)	7,027	—	—	(5,243)	5,243	—
from Stage 3 to Stage 1	46	—	(46)	—	33	—	(33)	—
from Stage 3 to Stage 2	—	1,422	(1,422)	—	—	383	(383)	—
New loans originated or loan amounts increased	204,234	25,394	6,105	235,733	376,042	17,816	7,100	400,958
Loans derecognized during the period (other than write-offs)	(251,218)	(62,566)	(17,003)	(330,787)	(188,887)	(65,344)	(13,176)	(267,407)
Loans written-off during the period	—	—	(4,187)	(4,187)	—	—	(8,871)	(8,871)
FX and other movements	—	2	(6)	(4)	38	—	16	54
Gross carrying amount as at 31 December	753,250	232,581	108,952	1,094,783	1,006,126	118,299	69,603	1,194,028

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Group gross loans to business customers: Large corporates

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	115,860	1,900	1,895	119,655	82,937	2,191	101	85,229
Transfer between stages:	—	—	—	—				
from Stage 1 to Stage 2	*(32,079)*	*32,079*	*—*	*—*	*(898)*	*898*	*—*	*—*
from Stage 1 to Stage 3	*(485)*	*—*	*485*	*—*	*(1,503)*	*—*	*1,503*	*—*
from Stage 2 to Stage 1	*105*	*(105)*	*—*	*—*	*—*	*—*	*—*	*—*
from Stage 2 to Stage 3	*—*	*(271)*	*271*	*—*	*—*	*—*	*—*	*—*
from Stage 3 to Stage 1	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*
from Stage 3 to Stage 2	*—*	*119*	*(119)*	*—*	*—*	*—*	*—*	*—*
New loans originated or loan amounts increased	6,348	10,737	52	17,137	56,183	483	1,495	58,161
Loans derecognized during the period (other than write-offs)	(22,530)	(2,036)	(728)	(25,294)	(20,859)	(1,672)	(1,204)	(23,735)
Loans written-off during the period	—	—	—	—	—	—	—	—
FX and other movements	—	—	—	—	—	—	—	—
Gross carrying amount as at 31 December	67,219	42,423	1,856	111,498	115,860	1,900	1,895	119,655

Bank gross loans to business customers: Large corporates

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	115,860	1,900	1,895	119,655	82,937	2,191	101	85,229
Transfer between stages:								
from Stage 1 to Stage 2	*(32,079)*	*32,079*	*—*	*—*	*(898)*	*898*	*—*	*—*
from Stage 1 to Stage 3	*(485)*	*—*	*485*	*—*	*(1,503)*	*—*	*1,503*	*—*
from Stage 2 to Stage 1	*105*	*(105)*	*—*	*—*	*—*	*—*	*—*	*—*
from Stage 2 to Stage 3	*—*	*(271)*	*271*	*—*	*—*	*—*	*—*	*—*
from Stage 3 to Stage 1	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*
from Stage 3 to Stage 2	*—*	*119*	*(119)*	*—*	*—*	*—*	*—*	*—*
New loans originated or loan amounts increased	6,348	10,737	52	17,137	56,183	483	1,495	58,161
Loans derecognized during the period (other than write-offs)	(22,530)	(2,036)	(728)	(25,294)	(20,859)	(1,672)	(1,204)	(23,735)
Loans written-off during the period	—	—	—	—	—	—	—	—
FX and other movements	—	—	—	—	—	—	—	—
Gross carrying amount as at 31 December	67,219	42,423	1,856	111,498	115,860	1,900	1,895	119,655

Group gross loans to business customers: SME

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	776,961	114,077	65,872	956,910	676,048	126,761	64,619	867,428
Transfer between stages:								
from Stage 1 to Stage 2	*(136,524)*	*136,524*	*—*	*—*	*(53,602)*	*53,602*	*—*	*—*
from Stage 1 to Stage 3	*(43,687)*	*—*	*43,687*	*—*	*(12,551)*	*—*	*12,551*	*—*
from Stage 2 to Stage 1	*12,354*	*(12,354)*	*—*	*—*	*17,731*	*(17,731)*	*—*	*—*
from Stage 2 to Stage 3	*—*	*(6,756)*	*6,756*	*—*	*—*	*(5,135)*	*5,135*	*—*
from Stage 3 to Stage 1	*47*	*—*	*(47)*	*—*	*33*	*—*	*(33)*	*—*
from Stage 3 to Stage 2	*—*	*1,304*	*(1,304)*	*—*	*—*	*383*	*(383)*	*—*
New loans originated or loan amounts increased	167,924	14,665	5,961	188,550	298,111	16,707	5,571	320,389
Loans derecognized during the period (other than write-offs)	(207,240)	(58,917)	(16,343)	(282,500)	(148,847)	(60,510)	(12,733)	(222,090)
Loans written-off during the period	—	—	(4,187)	(4,187)	—	—	(8,871)	(8,871)
FX and other movements	—	(2)	18	16	38	—	16	54
Gross carrying amount as at 31 December	569,835	188,541	100,413	858,789	776,961	114,077	65,872	956,910

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Bank gross loans to business customers: SME

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	787,180	115,474	66,220	968,874	689,574	131,152	64,188	884,914
Transfer between stages:								
from Stage 1 to Stage 2	*(136,523)*	*136,523*	—	—	*(53,602)*	*53,602*	—	—
from Stage 1 to Stage 3	*(48,396)*	—	*48,396*	—	*(12,367)*	—	*12,367*	—
from Stage 2 to Stage 1	*12,355*	*(12,355)*	—	—	*17,731*	*(17,731)*	—	—
from Stage 2 to Stage 3	—	*(6,756)*	*6,756*	—	—	*(5,223)*	*5,223*	—
from Stage 3 to Stage 1	*46*	—	*(46)*	—	*33*	—	*(33)*	—
from Stage 3 to Stage 2	—	*1,303*	*(1,303)*	—	—	*383*	*(383)*	—
New loans originated or loan amounts increased	167,924	14,665	6,027	188,616	298,052	16,706	5,592	320,350
Loans derecognized during the period (other than write-offs)	(210,501)	(60,315)	(16,269)	(287,085)	(152,279)	(63,415)	(11,879)	(227,573)
Loans written-off during the period	—	—	(4,187)	(4,187)	—	—	(8,871)	(8,871)
FX and other movements	—	2	(6)	(4)	38	—	16	54
Gross carrying amount as at 31 December	572,085	188,541	105,588	866,214	787,180	115,474	66,220	968,874

Group gross loans to business customers: Central and local authorities and other

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	103,086	925	1,488	105,499	96,735	872	1,544	99,151
Transfer between stages:								
from Stage 1 to Stage 2	*(1,598)*	*1,598*	—	—	—	—	—	—
from Stage 1 to Stage 3	—	—	—	—	*(4)*	—	*4*	—
from Stage 2 to Stage 1	*683*	*(683)*	—	—	*297*	*(297)*	—	—
from Stage 2 to Stage 3	—	—	—	—	—	*(20)*	*20*	—
from Stage 3 to Stage 1	—	—	—	—	—	—	—	—
from Stage 3 to Stage 2	—	—	—	—	—	—	—	—
New loans originated or loan amounts increased	29,962	(8)	26	29,980	21,807	627	13	22,447
Loans derecognized during the period (other than write-offs)	(18,187)	(215)	(6)	(18,408)	(15,749)	(257)	(93)	(16,099)
Loans written-off during the period	—	—	—	—	—	—	—	—
FX and other movements	—	—	—	—	—	—	—	—
Gross carrying amount as at 31 December	113,946	1,617	1,508	117,071	103,086	925	1,488	105,499

Bank gross loans to business customers: Central and local authorities and other

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	103,086	925	1,488	105,499	96,735	872	1,544	99,151
Transfer between stages:								
from Stage 1 to Stage 2	*(1,598)*	*1,598*	—	—	—	—	—	—
from Stage 1 to Stage 3	—	—	—	—	*(4)*	—	*4*	—
from Stage 2 to Stage 1	*683*	*(683)*	—	—	*297*	*(297)*	—	—
from Stage 2 to Stage 3	—	—	—	—	—	*(20)*	*20*	—
from Stage 3 to Stage 1	—	—	—	—	—	—	—	—
from Stage 3 to Stage 2	—	—	—	—	—	—	—	—
New loans originated or loan amounts increased	29,962	(8)	26	29,980	21,807	627	13	22,447
Loans derecognized during the period (other than write-offs)	(18,187)	(215)	(6)	(18,408)	(15,749)	(257)	(93)	(16,099)
Loans written-off during the period	—	—	—	—	—	—	—	—
FX and other movements	—	—	—	—	—	—	—	—
Gross carrying amount as at 31 December	113,946	1,617	1,508	117,071	103,086	925	1,488	105,499

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Movements in allowance for loan impairment by separate class are provided below:

Group loss allowance against loans to customers

	Stage 1	Stage 2	Stage 3	2020 Total	Stage 1	Stage 2	Stage 3	2019 Total
Loss allowance as at 1 January	8,021	4,003	26,485	38,509	5,839	4,462	32,465	42,766
Movements with impact to profit or loss:								
New loans originated	3,013	1,250	726	4,989	4,777	2,021	2,243	9,041
Loans derecognized during the period (other than write-offs)	(867)	(1,222)	(3,342)	(5,431)	(1,666)	(1,857)	(953)	(4,476)
Changes due to change in credit risk (net)	(2,845)	1,785	9,565	8,505	(1,100)	(114)	5,326	4,112
Update in the methodology for loss allowance estimation	1,376	1,802	29	3,207	171	(509)	(339)	(677)
Total movements with impact to profit or loss:	677	3,615	6,978	11,270	2,182	(459)	6,277	8,000
Movements without impact to profit or loss:								
Loans written-off during the period	(1,124)	(629)	(5,219)	(6,972)	—	—	(12,257)	(12,257)
FX and other movements	—	—	(24)	(24)	—	—	—	—
Total movements without impact to profit or loss:	(1,124)	(629)	(5,243)	(6,996)	—	—	(12,257)	(12,257)
Amount as at 31 December	7,574	6,989	28,220	42,783	8,021	4,003	26,485	38,509

Bank loss allowance against loans to customers

	Stage 1	Stage 2	Stage 3	2020 Total	Stage 1	Stage 2	Stage 3	2019 Total
Loss allowance as at 1 January	4,552	2,259	25,254	32,065	3,399	2,948	30,504	36,851
Movements with impact to profit or loss:								
New loans originated	869	1,005	660	2,534	2,141	874	1,675	4,690
Loans derecognized during the period (other than write-offs)	(388)	(347)	(1,840)	(2,575)	(1,054)	(1,238)	(173)	(2,465)
Changes due to change in credit risk (net)	(2,551)	669	8,836	6,954	(1,491)	(287)	2,584	806
Update in the methodology for loss allowance estimation	1,347	1,849	185	3,381	1,557	(38)	124	1,643
Total movements with impact to profit or loss:	(723)	3,176	7,841	10,294	1,153	(689)	4,210	4,674
Movements without impact to profit or loss:								
Loans written-off during the period	(3)	—	(4,511)	(4,514)	—	—	(9,460)	(9,460)
FX and other movements	—	—	(24)	(24)	—	—	—	—
Total movements without impact to profit or loss:	(3)	—	(4,535)	(4,538)	—	—	(9,460)	(9,460)
Amount as at 31 December	3,826	5,435	28,560	37,821	4,552	2,259	25,254	32,065

Group loss allowance against loans to customers: Loans to individuals (Retail)

	Stage 1	Stage 2	Stage 3	2020 Total	Stage 1	Stage 2	Stage 3	2019 Total
Loss allowance as at 1 January	5,172	2,135	3,350	10,657	3,728	2,060	3,550	9,338
Movements with impact to profit or loss:								
New loans originated	2,521	266	133	2,920	3,298	1,227	715	5,240
Loans derecognized during the period (other than write-offs)	(541)	(917)	(2,132)	(3,590)	(767)	(720)	(921)	(2,408)
Changes due to change in credit risk (net)	(507)	1,046	3,484	4,023	34	24	3,857	3,915
Update in the methodology for loss allowance estimation	169	(54)	(281)	(166)	(1,121)	(456)	(465)	(2,042)
Total movements with impact to profit or loss:	1,642	341	1,204	3,187	1,444	75	3,186	4,705
Movements without impact to profit or loss:								
Loans written-off during the period	(1,124)	(629)	(1,032)	(2,785)	—	—	(3,386)	(3,386)
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	(1,124)	(629)	(1,032)	(2,785)	—	—	(3,386)	(3,386)
Amount as at 31 December	5,690	1,847	3,522	11,059	5,172	2,135	3,350	10,657

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Bank loss allowance against loans to customers: Loans to individuals (Retail)

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Loss allowance as at 1 January	1,723	391	1,595	3,709	1,288	498	1,609	3,395
Movements with impact to profit or loss:								
New loans originated	377	20	68	465	662	80	147	889
Loans derecognized during the period (other than write-offs)	(63)	(41)	(630)	(734)	(155)	(101)	(141)	(397)
Changes due to change in credit risk (net)	(213)	(69)	607	325	(338)	(101)	571	132
Update in the methodology for loss allowance estimation	140	(7)	(125)	8	266	15	(2)	279
Total movements with impact to profit or loss:	241	(97)	(80)	64	435	(107)	575	903
Movements without impact to profit or loss:								
Loans written-off during the period	(3)	—	(324)	(327)	—	—	(589)	(589)
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	(3)	—	(324)	(327)	—	—	(589)	(589)
Amount as at 31 December	1,961	294	1,191	3,446	1,723	391	1,595	3,709

Group loss allowance against loans to customers: Loans to individuals (Retail) – Consumer loans

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Loss allowance as at 1 January	4,064	1,858	1,937	7,859	3,451	1,712	2,232	7,395
Movements with impact to profit or loss:								
New loans originated	2,146	248	70	2,464	2,962	1,161	579	4,702
Loans derecognized during the period (other than write-offs)	(524)	(891)	(1,648)	(3,063)	(683)	(675)	(788)	(2,146)
Changes due to change in credit risk (net)	(492)	1,082	3,293	3,883	16	157	3,534	3,707
Update in the methodology for loss allowance estimation	(23)	(47)	(270)	(340)	(1,682)	(497)	(490)	(2,669)
Total movements with impact to profit or loss:	1,107	392	1,445	2,944	613	146	2,835	3,594
Movements without impact to profit or loss:								
Loans written-off during the period	(1,124)	(629)	(958)	(2,711)	—	—	(3,130)	(3,130)
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	(1,124)	(629)	(958)	(2,711)	—	—	(3,130)	(3,130)
Amount as at 31 December	4,047	1,621	2,424	8,092	4,064	1,858	1,937	7,859

Bank loss allowance against loans to customers: Loans to individuals (Retail) – Consumer loans

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Loss allowance as at 1 January	615	114	203	932	1,011	150	291	1,452
Movements with impact to profit or loss:								
New loans originated	2	2	5	9	326	14	11	351
Loans derecognized during the period (other than write-offs)	(46)	(15)	(146)	(207)	(71)	(56)	(8)	(135)
Changes due to change in credit risk (net)	(198)	(33)	416	185	(356)	32	269	(55)
Update in the methodology for loss allowance estimation	(52)	—	(114)	(166)	(295)	(26)	(27)	(348)
Total movements with impact to profit or loss:	(294)	(46)	161	(179)	(396)	(36)	245	(187)
Movements without impact to profit or loss:								
Loans written-off during the period	(3)	—	(250)	(253)	—	—	(333)	(333)
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	(3)	—	(250)	(253)	—	—	(333)	(333)
Amount as at 31 December	318	68	114	500	615	114	203	932

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Group loss allowance against loans to customers: Loans to individuals (Retail) – Mortgages

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	469	222	442	1,133	58	271	552	881
Movements with impact to profit or loss:								
New loans originated	363	—	63	426	23	44	88	155
Loans derecognized during the period (other than write-offs)	(15)	(22)	—	(37)	(39)	(15)	(102)	(156)
Changes due to change in credit risk (net)	(114)	(18)	159	27	228	(100)	117	245
Update in the methodology for loss allowance estimation	(125)	(1)	1	(125)	199	22	10	231
Total movements with impact to profit or loss:	109	(41)	223	291	411	(49)	113	475
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	—	—	—	—	(223)	(223)
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	—	—	—	—	—	—	(223)	(223)
Amount as at 31 December	578	181	665	1,424	469	222	442	1,133

Bank loss allowance against loans to customers: Loans to individuals (Retail) – Mortgages

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	469	222	442	1,133	58	271	552	881
Movements with impact to profit or loss:								
New loans originated	363	—	63	426	23	44	88	155
Loans derecognized during the period (other than write-offs)	(15)	(22)	—	(37)	(39)	(15)	(102)	(156)
Changes due to change in credit risk (net)	(114)	(18)	159	27	228	(100)	117	245
Update in the methodology for loss allowance estimation	(125)	(1)	1	(125)	199	22	10	231
Total movements with impact to profit or loss:	109	(41)	223	291	411	(49)	113	475
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	—	—	—	—	(223)	(223)
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	—	—	—	—	—	—	(223)	(223)
Amount as at 31 December	578	181	665	1,424	469	222	442	1,133

Group loss allowance against loans to customers: Loans to individuals (Retail) – Other

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	639	55	971	1,665	219	77	766	1,062
Movements with impact to profit or loss:								
New loans originated	12	18	—	30	313	22	48	383
Loans derecognized during the period (other than write-offs)	(2)	(4)	(484)	(490)	(45)	(30)	(31)	(106)
Changes due to change in credit risk (net)	99	(18)	32	113	(210)	(33)	206	(37)
Update in the methodology for loss allowance estimation	317	(6)	(12)	299	362	19	15	396
Total movements with impact to profit or loss:	426	(10)	(464)	(48)	420	(22)	238	636
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	(74)	(74)	—	—	(33)	(33)
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	—	—	(74)	(74)	—	—	(33)	(33)
Amount as at 31 December	1,065	45	433	1,543	639	55	971	1,665

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Bank loss allowance against loans to customers: Loans to individuals (Retail) – Other

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	639	55	950	1,644	219	77	766	1,062
Movements with impact to profit or loss:								
New loans originated	12	18	—	30	313	22	48	383
Loans derecognized during the period (other than write-offs)	(2)	(4)	(484)	(490)	(45)	(30)	(31)	(106)
Changes due to change in credit risk (net)	99	(18)	32	113	(210)	(33)	185	(58)
Update in the methodology for loss allowance estimation	317	(6)	(12)	299	362	19	15	396
Total movements with impact to profit or loss:	426	(10)	(464)	(48)	420	(22)	217	615
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	(74)	(74)	—	—	(33)	(33)
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	—	—	(74)	(74)	—	—	(33)	(33)
Amount as at 31 December	1,065	45	412	1,522	639	55	950	1,644

Group loss allowance against loans to customers: Loans to financial institutions

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	—	38	—	38	—	16	—	16
Movements with impact to profit or loss:								
New loans originated	—	184	—	184	—	172	—	172
Loans derecognized during the period (other than write-offs)	—	(111)	—	(111)	—	(150)	—	(150)
Changes due to change in credit risk (net)	—	42	—	42	—	12	—	12
Update in the methodology for loss allowance estimation	—	(59)	—	(59)	—	(12)	—	(12)
Total movements with impact to profit or loss:	—	56	—	56	—	22	—	22
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	—	—	—	—	—	—
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	—	—	—	—	—	—	—	—
Amount as at 31 December	—	94	—	94	—	38	—	38

Bank loss allowance against loans to customers: Loans to financial institutions

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	—	38	—	38	—	16	—	16
Movements with impact to profit or loss:								
New loans originated	—	184	—	184	—	172	—	172
Loans derecognized during the period (other than write-offs)	—	(111)	—	(111)	—	(150)	—	(150)
Changes due to change in credit risk (net)	—	42	—	42	—	12	—	12
Update in the methodology for loss allowance estimation	—	(59)	—	(59)	—	(12)	—	(12)
Total movements with impact to profit or loss:	—	56	—	56	—	22	—	22
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	—	—	—	—	—	—
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	—	—	—	—	—	—	—	—
Amount as at 31 December	—	94	—	94	—	38	—	38

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Group loss allowance against loans to customers: Loans to business customers

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	2,849	1,830	23,135	27,814	2,111	2,386	28,915	33,412
Movements with impact to profit or loss:								
New loans originated	492	800	593	1,885	1,479	622	1,528	3,629
Loans derecognized during the period (other than write-offs)	(326)	(194)	(1,210)	(1,730)	(899)	(987)	(32)	(1,918)
Changes due to change in credit risk (net)	(2,338)	697	6,081	4,440	(1,134)	(150)	1,469	185
Update in the methodology for loss allowance estimation	1,207	1,915	310	3,432	1,292	(41)	126	1,377
Total movements with impact to profit or loss:	(965)	3,218	5,774	8,027	738	(556)	3,091	3,273
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	(4,187)	(4,187)	—	—	(8,871)	(8,871)
FX and other movements	—	—	(24)	(24)	—	—	—	—
Total movements without impact to profit or loss:	—	—	(4,211)	(4,211)	—	—	(8,871)	(8,871)
Amount as at 31 December	1,884	5,048	24,698	31,630	2,849	1,830	23,135	27,814

Bank loss allowance against loans to customers: Loans to business customers

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	2,829	1,830	23,659	28,318	2,111	2,434	28,895	33,440
Movements with impact to profit or loss:								
New loans originated	492	801	592	1,885	1,479	622	1,528	3,629
Loans derecognized during the period (other than write-offs)	(325)	(195)	(1,210)	(1,730)	(899)	(987)	(32)	(1,918)
Changes due to change in credit risk (net)	(2,338)	696	8,229	6,587	(1,153)	(198)	2,013	662
Update in the methodology for loss allowance estimation	1,207	1,915	310	3,432	1,291	(41)	126	1,376
Total movements with impact to profit or loss:	(964)	3,217	7,921	10,174	718	(604)	3,635	3,749
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	(4,187)	(4,187)	—	—	(8,871)	(8,871)
FX and other movements	—	—	(24)	(24)	—	—	—	—
Total movements without impact to profit or loss:	—	—	(4,211)	(4,211)	—	—	(8,871)	(8,871)
Amount as at 31 December	1,865	5,047	27,369	34,281	2,829	1,830	23,659	28,318

Group loss allowance against loans to customers: Loans to business customers – Large corporates

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	1,065	47	117	1,229	192	61	—	253
Movements with impact to profit or loss:								
New loans originated	37	14	—	51	385	10	17	412
Loans derecognized during the period (other than write-offs)	(65)	(7)	—	(72)	(118)	(85)	(5)	(208)
Changes due to change in credit risk (net)	(560)	569	165	174	(167)	34	100	(33)
Update in the methodology for loss allowance estimation	150	262	9	421	773	27	5	805
Total movements with impact to profit or loss:	(438)	838	174	574	873	(14)	117	976
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	—	—	—	—	—	—
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	—	—	—	—	—	—	—	—
Amount as at 31 December	627	885	291	1,803	1,065	47	117	1,229

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Bank loss allowance against loans to customers: Loans to business customers – Large corporates

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Loss allowance as at 1 January	1,065	47	117	1,229	192	61	—	253
Movements with impact to profit or loss:								
New loans originated	37	14	—	51	385	10	17	412
Loans derecognized during the period (other than write-offs)	(65)	(7)	—	(72)	(118)	(85)	(5)	(208)
Changes due to change in credit risk (net)	(560)	569	165	174	(167)	34	100	(33)
Update in the methodology for loss allowance estimation	150	262	9	421	773	27	5	805
Total movements with impact to profit or loss:	(438)	838	174	574	873	(14)	117	976
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	—	—	—	—	—	—
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	—	—	—	—	—	—	—	—
Amount as at 31 December	627	885	291	1,803	1,065	47	117	1,229

Group loss allowance against loans to customers: Loans to business customers – SME

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Loss allowance as at 1 January	1,560	1,777	22,377	25,714	1,491	2,226	28,198	31,915
Movements with impact to profit or loss:								
New loans originated	425	541	593	1,559	1,065	608	1,504	3,177
Loans derecognized during the period (other than write-offs)	(234)	(181)	(1,204)	(1,619)	(751)	(899)	(27)	(1,677)
Changes due to change in credit risk (net)	(1,437)	328	5,886	4,777	(645)	(108)	1,456	703
Update in the methodology for loss allowance estimation	841	1,671	298	2,810	400	(50)	117	467
Total movements with impact to profit or loss:	(405)	2,359	5,573	7,527	69	(449)	3,050	2,670
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	(4,187)	(4,187)	—	—	(8,871)	(8,871)
FX and other movements	—	—	(24)	(24)	—	—	—	—
Total movements without impact to profit or loss:	—	—	(4,211)	(4,211)	—	—	(8,871)	(8,871)
Amount as at 31 December	1,155	4,136	23,739	29,030	1,560	1,777	22,377	25,714

Bank loss allowance against loans to customers: Loans to business customers – SME

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Loss allowance as at 1 January	1,540	1,777	22,901	26,218	1,491	2,274	28,178	31,943
Movements with impact to profit or loss:								
New loans originated	425	542	592	1,559	1,065	608	1,504	3,177
Loans derecognized during the period (other than write-offs)	(233)	(182)	(1,204)	(1,619)	(751)	(899)	(27)	(1,677)
Changes due to change in credit risk (net)	(1,437)	327	8,034	6,924	(664)	(156)	2,000	1,180
Update in the methodology for loss allowance estimation	841	1,671	298	2,810	399	(50)	117	466
Total movements with impact to profit or loss:	(404)	2,358	7,720	9,674	49	(497)	3,594	3,146
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	(4,187)	(4,187)	—	—	(8,871)	(8,871)
FX and other movements	—	—	(24)	(24)	—	—	—	—
Total movements without impact to profit or loss:	—	—	(4,211)	(4,211)	—	—	(8,871)	(8,871)
Amount as at 31 December	1,136	4,135	26,410	31,681	1,540	1,777	22,901	26,218

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Group loss allowance against loans to customers: Loans to business customers – Central and local authorities and other

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	224	6	641	871	428	99	717	1,244
Movements with impact to profit or loss:								
New loans originated	30	245	—	275	29	4	7	40
Loans derecognized during the period (other than write-offs)	(27)	(6)	(6)	(39)	(30)	(3)	—	(33)
Changes due to change in credit risk (net)	(341)	(200)	30	(511)	(322)	(76)	(87)	(485)
Update in the methodology for loss allowance estimation	216	(18)	3	201	119	(18)	4	105
Total movements with impact to profit or loss:	(122)	21	27	(74)	(204)	(93)	(76)	(373)
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	—	—	—	—	—	—
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	—	—	—	—	—	—	—	—
Amount as at 31 December	102	27	668	797	224	6	641	871

Bank loss allowance against loans to customers: Loans to business customers – Central and local authorities and other

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	224	6	641	871	428	99	717	1,244
Movements with impact to profit or loss:								
New loans originated	30	245	—	275	29	4	7	40
Loans derecognized during the period (other than write-offs)	(27)	(6)	(6)	(39)	(30)	(3)	—	(33)
Changes due to change in credit risk (net)	(341)	(200)	30	(511)	(322)	(76)	(87)	(485)
Update in the methodology for loss allowance estimation	216	(18)	3	201	119	(18)	4	105
Total movements with impact to profit or loss:	(122)	21	27	(74)	(204)	(93)	(76)	(373)
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	—	—	—	—	—	—
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	—	—	—	—	—	—	—	—
Amount as at 31 December	102	27	668	797	224	6	641	871

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 14
FINANCE LEASE RECEIVABLES

As part of its lending services, the Bank offers its customers various types of finance lease contracts. Main finance lease model of the Bank is to finance goods or services sold by vendors to the customers. The Bank acts as a lender, although legally it is the owner of the assets leased.

No other material income except for the finance income (included in net interest income - see Note 1) is earned by the Bank from the finance lease. The Bank does not provide any buy-back guarantees or residual value guarantees at its own risk. In some cases when such guarantees are offered to customers that use Bank's finance lease products, the vendor of the assets leased provides such guarantees. In such cases the Bank additionally assesses the vendor's capacities to meet such obligations.

Risk profile of finance lease contracts is described in detail in part 1.6. of the Financial Risk Management disclosure.

The Group

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Gross investments in leasing:							
Balance at 31 December 2019	55,472	42,289	41,786	21,136	10,600	2,416	173,699
Change during 2020	3,220	9,076	(10,153)	(3,672)	(636)	(576)	(2,741)
Balance at 31 December 2020	58,692	51,365	31,633	17,464	9,964	1,840	170,958
Unearned finance income on finance leases:							
Balance at 31 December 2019	(5,379)	(3,594)	(2,073)	(801)	(239)	(55)	(12,141)
Change during 2020	223	386	485	87	14	30	1,225
Balance at 31 December 2020	(5,156)	(3,208)	(1,588)	(714)	(225)	(25)	(10,916)
Net investments in leasing before provisions:							
At 31 December 2019	50,093	38,695	39,713	20,335	10,361	2,361	161,558
At 31 December 2020	53,536	48,157	30,045	16,750	9,739	1,815	160,042
Changes in provisions:							
Balance at 31 December 2019	(1,671)	(609)	(626)	(318)	(162)	(575)	(3,961)
Provisions reversed / (additional provisions charged)	(347)	(355)	24	(15)	(32)	69	(656)
Provisions for finance lease debts written off	32						32
Balance at 31 December 2020	(1,986)	(964)	(602)	(333)	(194)	(506)	(4,585)
Net investments in leasing after provisions:							
At 31 December 2019	48,422	38,086	39,087	20,017	10,199	1,786	157,597
At 31 December 2020	51,550	47,193	29,443	16,417	9,545	1,309	155,457

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 14
FINANCE LEASE RECEIVABLES (continued)

The Bank

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Gross investments in leasing:							
Balance at 31 December 2019	54,641	42,289	41,786	21,136	10,600	2,416	172,868
Change during 2020	3,135	9,076	(10,153)	(3,672)	(636)	(576)	(2,826)
Balance at 31 December 2020	57,776	51,365	31,633	17,464	9,964	1,840	170,042
Unearned finance income on finance leases:							
Balance at 31 December 2019	(5,379)	(3,594)	(2,073)	(801)	(239)	(55)	(12,141)
Change during 2020	229	386	485	87	14	30	1,231
Balance at 31 December 2020	(5,150)	(3,208)	(1,588)	(714)	(225)	(25)	(10,910)
Net investments in leasing before provisions:							
At 31 December 2019	49,262	38,695	39,713	20,335	10,361	2,361	160,727
At 31 December 2020	52,626	48,157	30,045	16,750	9,739	1,815	159,132
Changes in provisions:							
Balance at 31 December 2019	(893)	(609)	(626)	(318)	(162)	(579)	(3,187)
Provisions reversed / (additional provisions charged)	(346)	(355)	24	(15)	(32)	69	(655)
Provisions for finance lease debts written off							—
Balance at 31 December 2020	(1,239)	(964)	(602)	(333)	(194)	(510)	(3,842)
Net investments in leasing after provisions:							
At 31 December 2019	48,369	38,086	39,087	20,017	10,199	1,782	157,540
At 31 December 2020	51,387	47,193	29,443	16,417	9,545	1,305	155,290

Movements in provision for impairment of finance lease receivables by class are as follows:

Group loss allowance against finance lease receivables

				2020				*2019*
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	693	445	2,823	3,961	349	537	1,760	2,646
Movements with impact to profit or loss:								
New loans originated	357	529	222	1,108	452	124	607	1,183
Loans derecognized during the period (other than write-offs)	(109)	(133)	(281)	(523)	(67)	(145)	(296)	(508)
Changes due to change in credit risk (net)	(707)	(300)	80	(927)	(197)	(75)	785	513
Update in the methodology for loss allowance estimation	566	390	42	998	156	4	(7)	153
Total movements with impact to profit or loss:	107	486	63	656	344	(92)	1,089	1,341
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	(32)	(32)	—	—	(26)	(26)
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	—	—	(32)	(32)	—	—	(26)	(26)
Loss allowance as at 31 December	800	931	2,854	4,585	693	445	2,823	3,961

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 14
FINANCE LEASE RECEIVABLES (continued)

Bank loss allowance against finance lease receivables

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	692	445	2,050	3,187	349	538	955	1,842
Movements with impact to profit or loss:								
New loans originated	356	529	221	1,106	452	124	607	1,183
Loans derecognized during the period (other than write-offs)	(109)	(133)	(281)	(523)	(67)	(145)	(270)	(482)
Changes due to change in credit risk (net)	(707)	(300)	80	(927)	(198)	(76)	786	512
Update in the methodology for loss allowance estimation	567	390	42	999	156	4	(6)	154
Total movements with impact to profit or loss:	107	486	62	655	343	(93)	1,117	1,367
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	—	—	—	—	(22)	(22)
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	—	—	—	—	—	—	(22)	(22)
Loss allowance as at 31 December	799	931	2,112	3,842	692	445	2,050	3,187

Group loss allowance against finance lease receivables - individuals

	2020				2018			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Loss allowance as at 1 January	225	40	126	391	89	47	173	309
Movements with impact to profit or loss:								
New loans originated	114	6	—	120	126	15	41	182
Loans derecognized during the period (other than write-offs)	(19)	(5)	(1)	(25)	(15)	(10)	(56)	(81)
Changes due to change in credit risk (net)	(264)	(28)	54	(238)	(77)	(24)	(6)	(107)
Update in the methodology for loss allowance estimation	153	19	(13)	159	102	12	—	114
Total movements with impact to profit or loss:	(16)	(8)	40	16	136	(7)	(21)	108
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	(32)	(32)	—	—	(26)	(26)
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	—	—	(32)	(32)	—	—	(26)	(26)
Loss allowance as at 31 December	209	32	134	375	225	40	126	391

Bank loss allowance against finance lease receivables – individuals

	2020				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	224	40	95	359	89	47	137	273
Movements with impact to profit or loss:								
New loans originated	114	6	—	120	126	15	41	182
Loans derecognized during the period (other than write-offs)	(19)	(5)	(1)	(25)	(15)	(10)	(56)	(81)
Changes due to change in credit risk (net)	(263)	(28)	53	(238)	(78)	(24)	(6)	(108)
Update in the methodology for loss allowance estimation	153	19	(13)	159	102	12	1	115
Total movements with impact to profit or loss:	(15)	(8)	39	16	135	(7)	(20)	108
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	—	—	—	—	(22)	(22)
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	—	—	—	—	—	—	(22)	(22)
Loss allowance as at 31 December	209	32	134	375	224	40	95	359

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 14
FINANCE LEASE RECEIVABLES (continued)

Group loss allowance against finance lease receivables – business customers

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	468	405	2,697	3,570	260	490	1,587	2,337
Movements with impact to profit or loss:								
New loans originated	243	523	222	988	326	109	566	1,001
Loans derecognized during the period (other than write-offs)	(90)	(128)	(280)	(498)	(52)	(135)	(240)	(427)
Changes due to change in credit risk (net)	(443)	(272)	26	(689)	(120)	(51)	791	620
Update in the methodology for loss allowance estimation	413	371	55	839	54	(8)	(7)	39
Total movements with impact to profit or loss:	123	494	23	640	208	(85)	1,110	1,233
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	—	—	—	—	—	—
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	—	—	—	—	—	—	—	—
Loss allowance as at 31 December	591	899	2,720	4,210	468	405	2,697	3,570

Bank loss allowance against finance lease receivables – business customers

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	468	405	1,955	2,828	260	491	818	1,569
Movements with impact to profit or loss:								
New loans originated	242	523	221	986	326	109	566	1,001
Loans derecognized during the period (other than write-offs)	(90)	(128)	(280)	(498)	(52)	(135)	(214)	(401)
Changes due to change in credit risk (net)	(444)	(272)	27	(689)	(120)	(52)	792	620
Update in the methodology for loss allowance estimation	414	371	55	840	54	(8)	(7)	39
Total movements with impact to profit or loss:	122	494	23	639	208	(86)	1,137	1,259
Movements without impact to profit or loss:								
Loans written-off during the period	—	—	—	—	—	—	—	—
FX and other movements	—	—	—	—	—	—	—	—
Total movements without impact to profit or loss:	—	—	—	—	—	—	—	—
Loss allowance as at 31 December	590	899	1,978	3,467	468	405	1,955	2,828

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 15
INVESTMENT SECURITIES

Investment securities are comprised of:
- non-trading equities. The Group chose to measure these securities at fair value through profit or loss;
- debt securities at fair value through other comprehensive income;
- debt securities at amortized cost (held to collect cash flows).

	2020 Group	2020 Bank	2019 Group	2019 Bank
INVESTMENT SECURITIES AT FAIR VALUE:				
Non-trading securities at fair value:				
Debt securities at fair value through other comprehensive income:	30,429	30,429	8,953	8,558
Government bonds	17,709	17,709	1,343	1,343
Corporate bonds	12,720	12,720	7,610	7,215
Non-trading equity securities at fair value through profit or loss	3,913	3,786	5,106	933
Total non-trading securities at fair value	34,342	34,215	14,059	9,491
TOTAL INVESTMENT SECURITIES AT FAIR VALUE	34,342	34,215	14,059	9,491
INVESTMENT SECURITIES AT AMORTIZED COST:				
Securities at amortized cost:				
Debt securities:				
Government bonds	532,501	526,700	375,502	370,825
Corporate bonds	176,953	170,436	170,347	164,654
Total securities at amortized cost	709,454	697,136	545,849	535,479
TOTAL INVESTMENT SECURITIES AT AMORTIZED COST	709,454	697,136	545,849	535,479
Breakdown of debt securities by time remaining to maturity:				
Debt securities at fair value through other comprehensive income:				
Short-term (up to 1 year)	6,884	6,884	2,735	2,340
Long-term (over 1 year)	23,672	23,545	6,218	6,218
Total debt securities at fair value through other comprehensive income	30,556	30,429	8,953	8,558
Debt securities at amortized cost:				
Short-term (up to 1 year)	70,848	70,737	64,220	64,129
Long-term (over 1 year)	638,606	626,399	481,629	471,350
Total debt securities at amortized cost	709,454	697,136	545,849	535,479

As at 31 December 2020, government bonds at amortized cost with a carrying value of EUR 155,921 thousand were pledged for the borrowing under third series of the targeted longer-term refinancing operations (TLTRO-III) program of the European Central Bank (see Note 20). As at 31 December 2019, government bonds at amortized cost with a carrying value of EUR 5,595 thousand were pledged as collateral for currency forwards (see Note 12).

Staging and impairment of the Group's/Bank's investment debt securities:

Group investment debt securities at fair value through other comprehensive income

	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Government bonds, gross	17,720	—	—	17,720	1,343	—	—	1,343
Less: allowance for impairment	(11)	—	—	(11)	0	—	—	0
Government bonds, net	17,709	—	—	17,709	1,343	—	—	1,343
Corporate bonds, gross	11,791	974	—	12,765	7,443	181	—	7,624
Less: allowance for impairment	(9)	(36)	—	(45)	(9)	(5)	—	(14)
Corporate bonds, net	11,782	938	—	12,720	7,434	176	—	7,610
Total, gross	29,511	974	—	30,485	8,786	181	—	8,967
Less: allowance for impairment	(20)	(36)	—	(56)	(9)	(5)	—	(14)
Total, net	29,491	938	—	30,429	8,777	176	—	8,953

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 15
INVESTMENT SECURITIES (continued)

Bank investment debt securities at fair value through other comprehensive income

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Government bonds, gross	17,720	—	—	17,720	1,343	—	—	1,343
Less: allowance for impairment	(11)	—	—	(11)	0	—	—	0
Government bonds, net	17,709	—	—	17,709	1,343	—	—	1,343
Corporate bonds, gross	11,791	974	—	12,765	7,043	181	—	7,224
Less: allowance for impairment	(9)	(36)	—	(45)	(4)	(5)	—	(9)
Corporate bonds, net	11,782	938	—	12,720	7,039	176	—	7,215
Total, gross	29,511	974	—	30,485	8,386	181	—	8,567
Less: allowance for impairment	(20)	(36)	—	(56)	(4)	(5)	—	(9)
Total, net	29,491	938	—	30,429	8,382	176	—	8,558

Group investment debt securities at amortized cost

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Government bonds, gross	532,674	—	—	532,674	375,655	—	—	375,655
Less: allowance for impairment	(173)	—	—	(173)	(153)	—	—	(153)
Government bonds, net	532,501	—	—	532,501	375,502	—	—	375,502
Corporate bonds, gross	176,880	199	1,016	178,095	169,477	1,006	1,014	171,497
Less: allowance for impairment	(123)	(3)	(1,016)	(1,142)	(111)	(25)	(1,014)	(1,150)
Corporate bonds, net	176,757	196	—	176,953	169,366	981	—	170,347
Total, gross	709,554	199	1,016	710,769	545,132	1,006	1,014	547,152
Less: allowance for impairment	(296)	(3)	(1,016)	(1,315)	(264)	(25)	(1,014)	(1,303)
Total, net	709,258	196	—	709,454	544,868	981	—	545,849

Bank investment debt securities at amortized cost

				2020				2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Government bonds, gross	526,869	—	—	526,869	370,975	—	—	370,975
Less: allowance for impairment	(169)	—	—	(169)	(150)	—	—	(150)
Government bonds, net	526,700	—	—	526,700	370,825	—	—	370,825
Corporate bonds, gross	170,553	—	—	170,553	163,779	1,006	—	164,785
Less: allowance for impairment	(117)	—	—	(117)	(106)	(25)	—	(131)
Corporate bonds, net	170,436	—	—	170,436	163,673	981	—	164,654
Total, gross	697,422	—	—	697,422	534,754	1,006	—	535,760
Less: allowance for impairment	(286)	—	—	(286)	(256)	(25)	—	(281)
Total, net	697,136	—	—	697,136	534,498	981	—	535,479

Reconciliation of allowance for impairment of investment debt securities is presented in the table below:

		2020		*2019*
	Group	Bank	Group	Bank
Allowance for impairment of investment debt securities as of 1 January:	1,317	290	1,377	359
Change in allowance for impairment	56	52	(62)	(70)
Update in the methodology for loss allowance estimation	—	—	—	—
Change in FX rates	(3)	1	2	1
Allowance for impairment of investment debt securities as of 31 December:	1,370	343	1,317	290

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 15
INVESTMENT SECURITIES (continued)

Breakdown of the Group's/Bank's investment securities as at 31 December 2020 and 2019:

	2020		2019	
	Group	Bank	Group	Bank
Investment securities at fair value:				
Debt securities	30,429	30,429	8,953	8,558
AAA	—	—	—	—
from AA- to AA+	—	—	—	—
from A- to A+	16,971	16,971	4,529	4,529
from BBB- to BBB+	11,837	11,837	3,854	3,854
from BB- to BB+	1,621	1,621	—	—
lower than BB-	—	—	175	175
no rating	—	—	395	—
Equities	3,913	3,786	5,106	933
listed	—	—	—	—
unlisted	525	398	741	622
units of investment funds	3,388	3,388	4,365	311
Total investment securities at fair value	34,342	34,215	14,059	9,491
Investment securities at amortized cost:				
Debt securities	709,454	697,136	545,849	535,479
AAA	—	—	—	—
from AA- to AA+	6,116	5,910	8,320	8,113
from A- to A+	535,155	529,095	378,386	372,941
from BBB- to BBB+	167,269	162,131	156,743	152,433
from BB- to BB+	914	—	2,400	1,992
lower than BB-	—	—	—	—
no rating	—	—	—	—
Total investment securities at amortized cost	709,454	697,136	545,849	535,479

No material reclassifications between securities portfolios were performed during 2020 and 2019.

Movements in the financial instruments revaluation reserve:

	The Group			The Bank		
	Financial instruments revaluation reserve, before taxes	Deferred income tax asset (liabilities)	Financial instruments revaluation reserve, after taxes	Financial instruments revaluation reserve, before taxes	Deferred income tax asset (liabilities)	Financial instruments revaluation reserve, after taxes
1 January 2019	(580)	88	(492)	(580)	88	(492)
Revaluation	766	—	766	766	—	766
Sale or redemption of securities	(166)	—	(166)	(166)	—	(166)
Recognition of own credit risk attributable to unit-linked insurance liabilities	13	—	13	—	—	—
Deferred income tax	—	(130)	(130)	—	(130)	(130)
31 December 2019	33	(42)	(9)	20	(42)	(22)
Revaluation	839	—	839	839	—	839
Sale or redemption of securities	(393)	—	(393)	(393)	—	(393)
Deferred income tax	—	(49)	(49)	—	(49)	(49)
31 December 2020	479	(91)	388	466	(91)	375

Bank's cash flows and other movements of investment securities at amortized cost:

	2020		2019	
	Group	Bank	Group	Bank
As at 1 January	545,849	535,479	638,655	638,655
Acquisitions	320,243	318,242	48,293	37,876
Redemptions	(63,648)	(63,648)	(119,491)	(119,491)
Disposals	(88,785)	(88,785)	(15,939)	(15,939)
Accrued interest	6,729	6,552	9,132	9,008
Received coupon payment	(10,785)	(10,559)	(14,902)	(14,739)
Foreign currency exchange rate impact	(122)	(122)	61	61
Impairment	(9)	(5)	54	62
Reclassifications	(18)	(18)	(14)	(14)
As at 31 December	709,454	697,136	545,849	535,479

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 16
INVESTMENTS IN SUBSIDIARIES

The Group consists of the Bank and its subsidiaries listed below in this note. All of the entities comprising the Group operate in Lithuania.

							Carrying amount
Bank	Share in equity	31 December 2020			31 December 2019		
		Gross amount	Impairment	Net carrying amount	Gross amount	Impairment	Net carrying amount
Investments in consolidated directly controlled subsidiaries:							
SB Draudimas GD UAB	100.00 %	10,513	—	10,513	10,741	—	10,741
Minera UAB	100.00 %	—	—	—	2,925	—	2,925
SB Lizingas UAB	100.00 %	13,274	—	13,274	10,749	—	10,749
Šiaulių Banko Investicijų Valdymas UAB	100.00 %	—	—	—	933	—	933
Šiaulių Banko Lizingas UAB	100.00 %	1,074	—	1,074	1,074	—	1,074
Šiaulių Banko Turto Fondas UAB	100.00 %	4,274	—	4,274	3,364	—	3,364
UAB „SBTF"	100.00 %	—	—	—	1,703	—	1,703
UAB „Pavasaris"	100.00 %	—	—	—	2	—	2
Total		29,135	—	29,135	31,491	—	31,491

Reconciliation of Bank's investment in subsidiary amounts is presented in the table below:

	2020	2019
Net book value at 1 January	31,491	29,450
Share of the profit or loss of investments in subsidaries accounted for using the equity method	5,470	4,713
Increase in the investment amount	—	135
Dividends paid by the subsidiaries to the Bank	(4,000)	(4,800)
Impairment	(114)	1,996
Transfer to subsidiaries held for sale	(3,713)	—
Other changes (changes due constructive obligation to cover losses and rounding)	1	(3)
Net book value at 31 December	29,135	31,491

Following strategy to optimize Group's structure, in December 2020, Pavasaris UAB and SBTF UAB were merged with Šiaulių Banko Turto Fondas UAB.

In addition, the Group had indirectly controlled subsidiaries with 100% share in equity: at 31 December 2020 and 31 December 2019, Apželdinimas UAB (indirectly controlled by Šiaulių Banko Turto Fondas UAB), Sandworks UAB (indirectly controlled by Šiaulių Banko Investicijų Valdymas UAB).

In 2020, Group's management took a decision to sell its shares in Minera UAB and to liquidate Šiaulių Banko Investicijų Valdymas UAB in 2021. Therefore these two companies were transferred from consolidated subsidiaries to subsidiaries held for sale (see Note 19). On repricing to fair value less costs to sell, an impairment of EUR 114 thousand was recognized on investment in Minera UAB (included in income statement line "Allowance for impairment losses on investments in subsidiaries").

Bank's subsidiary SB Draudimas GD UAB (previous name - Bonum Publicum GD UAB) was tested for impairment using embedded value approach as of 31 December 2020 and 31 December 2019. No impairment was found at these dates. Embedded value equals to the value of in-force business plus the value of the free capital. Value of in-force business is calculated using management estimations of the cash flows from the insurance portfolio and the income from capital-in-lock discounted to net present value using the discount rate (2020: 7.37%, 2019: 6.50%) that reflects current market assessment of the time value of money and the related risks. In 2019, all previously recognized impairment amount to investment in Bonum Publicum GD UAB of EUR 1,996 thousand was reversed through income statement.

At 31 December 2020 and 2019 due to major uncertainties regarding future cash flows Bank's subsidiary Šiaulių Banko Turto Fondas UAB had recognized an impairment for the whole amount of investment in Apželdinimas UAB (impairment amount EUR 300 thousand).

No impairment triggers were identified regarding other subsidiaries.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 17
INTANGIBLE ASSETS

	Software and licences		*Goodwill*		*Total*	
	Group	Bank	Group	Bank	Group	Bank
As at 1 January 2019:						
Cost	6,238	5,854	1,352	—	7,590	5,854
Accumulated amortisation	(4,231)	(3,879)	—	—	(4,231)	(3,879)
Net book value	**2,007**	**1,975**	**1,352**	**—**	3,359	1,975
Year ended 31 December 2019:						
Net book value at 1 January	2,007	1,975	—	—	2,007	1,975
Acquisitions	1,766	1,713	—	—	1,766	1,713
Write-offs	(2)	—	—	—	(2)	—
Amortisation charge	(835)	(767)	—	—	(835)	(767)
Net book value at 31 December	2,936	2,921	1,352	—	4,288	2,921
As at 31 December 2019:						
Cost	7,990	7,557	1,352	—	9,342	7,557
Accumulated amortisation	(5,054)	(4,636)	—	—	(5,054)	(4,636)
Net book value	2,936	2,921	1,352	—	4,288	2,921
Year ended 31 December 2020:						
Net book value at 1 January	2,936	2,921	—	—	2,936	2,921
Acquisitions	2,552	2,373	—	—	2,552	2,373
Write-offs	(1)	—	—	—	(1)	—
Amortisation charge	(1,110)	(1,064)	—	—	(1,110)	(1,064)
Net book value at 31 December	4,377	4,230	1,352	—	5,729	4,230
As at 31 December 2020:						
Cost	10,181	9,578	1,352	—	11,533	9,578
Accumulated amortisation	(5,804)	(5,348)	—	—	(5,804)	(5,348)
Net book value	**4,377**	**4,230**	**1,352**	**—**	**5,729**	**4,230**
Economic life (in years)	3–9	3–9				

Goodwill impairment test

For the purpose of impairment testing, goodwill is allocated to one cash generating unit - subsidiary of the Bank SB Draudimas (name changed from Bonum Publicum). The recoverable amount of cash generating unit is determined by applying the embedded value calculations. Embedded value equals to the value of in-force business plus the value of the free capital. Value of in-force business is calculated using management estimations of the cash flows from the insurance portfolio and the income from capital-in-lock discounted to net present value using the discount rate of 7.37% (2019: 6.50%) that reflects current market assessment of the time value of money and the risks related to cash generating unit.

No impairment loss for goodwill was identified in 2020 and 2019 as a result of the test.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 18
PROPERTY, PLANT AND EQUIPMENT

Group	Buildings, premises and land	Vehicles	Office equipment	Construction in progress	Total
As at 1 January 2019:					
Cost	7,561	2,974	6,172	139	16,846
Accumulated depreciation	(2,367)	(822)	(5,027)	—	(8,216)
Net book value	**5,194**	**2,152**	**1,145**	**139**	**8,630**
Year ended 31 December 2019:					
Net book value at 1 January	5,194	2,152	1,145	139	8,630
Acquisitions	1	1,132	1,346	331	2,810
Reclassifications	99	—	3	(188)	(86)
Disposals and write-offs	(1)	(625)	(50)	(4)	(680)
Depreciation charge	(142)	(429)	(637)	—	(1,208)
Net book value at 31 December	5,151	2,230	1,807	278	9,466
As at 31 December 2019:					
Cost	7,635	2,904	5,844	278	16,661
Accumulated depreciation	(2,484)	(674)	(4,037)	—	(7,195)
Net book value	**5,151**	**2,230**	**1,807**	**278**	**9,466**
Year ended 31 December 2019:					
Net book value at 1 January	5,151	2,230	1,807	278	9,466
Acquisitions	—	894	1,112	17	2,023
Reclassifications	(103)	(37)	(2)	(215)	(357)
Disposals and write-offs	(168)	(464)	(22)	(4)	(658)
Depreciation charge	(147)	(448)	(674)	—	(1,269)
Net book value at 31 December	4,733	2,175	2,221	76	9,205
As at 31 December 2020:					
Cost	7,040	2,939	6,395	76	16,450
Accumulated depreciation	(2,307)	(764)	(4,174)	—	(7,245)
Net book value	**4,733**	**2,175**	**2,221**	**76**	**9,205**
Economic life (in years)	15-50	5-12	3-20	—	—

Right-of-use assets and lease liabilities

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The Group leases various offices, equipment and vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Rental contracts are typically made for fixed periods of 4 months to 8 years, but may have extension options. The terminations of agreementy by lessee mostly from 3 to 6 months notice. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Group: right-of-use assets	Buildings, premises and land	Vehicles	Office equipment	Total
As at 31 December 2019				
Cost	8,243	184	12	8,439
Accumulated depreciation	(5,575)	(107)	(7)	(5,689)
Net book value	**2,668**	**77**	**5**	**2,750**
Year ended 31 December 2020:				
Net book value at 1 January	2,668	77	5	2,750
Contract additions	6,175	13	2	6,190
Contract terminations	(107)	(19)	—	(126)
Depreciation charge	(1,498)	(30)	(7)	(1,535)
Net book value at 31 December	7,238	41	—	7,279
As at 31 December 2020:				
Cost	14,040	134	14	14,188
Accumulated depreciation	(6,802)	(93)	(14)	(6,909)
Net book value	**7,238**	**41**	**—**	**7,279**
Economic life (in years)	2-20	2-7	3	—

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 18
PROPERTY, PLANT AND EQUIPMENT (continued)

Amounts of lease liabilities recognized in Group's statement of financial position:

	31 December 2020	*31 December 2019*
Lease liabilities before prepayments	7,313	2,780
Short-term (up to 1 year)	1,601	1,103
Long-term (2-5 years)	3,905	1,526
Long-term (over 5 years)	1,806	151
Prepayments paid	(74)	(110)
Lease liabilities, carrying value	**7,239**	**2,670**

The Group recognized in its income statement for the year ended 31 December 2020 lease expense for the low value leases amounting to EUR 8 thousand (for the year ended 31 December 2019 – EUR 26 thousand).

Bank	Buildings and premises	Vehicles	Office equipment	Construction in progress	Total
As at 1 January 2019:					
Cost	7,144	2,214	5,842	134	15,334
Accumulated depreciation	(2,049)	(506)	(4,761)	—	(7,316)
Net book value	**5,095**	**1,708**	**1,081**	**134**	**8,018**
Year ended 31 December 2019:					
Net book value at 1 January	5,095	1,708	1,081	134	8,018
Acquisitions	1	900	1,311	323	2,535
Disposals and write-offs	(1)	(491)	(42)	(4)	(538)
Depreciation charge	(139)	(322)	(607)	—	(1,068)
Reclassification to assests held for sale	99	—	—	(383)	(284)
Net book value at 31 December	5,055	1,795	1,743	70	8,663
As at 31 December 2019:					
Cost	7,218	2,282	5,498	70	15,068
Accumulated depreciation	(2,163)	(487)	(3,755)	—	(6,405)
Net book value	**5,055**	**1,795**	**1,743**	**70**	**8,663**
Year ended 31 December 2020:					
Net book value at 1 January	5,055	1,795	1,743	70	8,663
Acquisitions	—	808	1,056	10	1,874
Disposals and write-offs	—	(439)	(15)	(4)	(458)
Depreciation charge	(147)	(356)	(643)	—	(1,146)
Reclassifications	(7)	—	—	—	(7)
Net book value at 31 December	4,901	1,808	2,141	76	8,926
As at 31 December 2020:					
Cost	7,208	2,362	6,120	76	15,766
Accumulated depreciation	(2,307)	(554)	(3,979)	—	(6,840)
Net book value	**4,901**	**1,808**	**2,141**	**76**	**8,926**
Economic life (in years)	15-50	5-12	3-20	—	—

Bank: right-of-use assets	Buildings, premises and land	Vehicles	Office equipment	Total
As at 1 January 2020:				
Cost	7,907	184	—	8,091
Accumulated depreciation	(5,477)	(107)	—	(5,584)
Net book value	**2,430**	**77**	**—**	**2,507**
Year ended 31 December 2020:				
Net book value at 1 January	2,430	77	—	2,507
Contract additions	5,860	13	—	5,873
Contract terminations	(88)	(19)	—	(107)
Depreciation charge	(1,317)	(30)	—	(1,347)
Net book value at 31 December	6,885	41	—	6,926
As at 31 December 2020:				
Cost	13,446	134	—	13,580
Accumulated depreciation	(6,561)	(93)	—	(6,654)
Net book value	**6,885**	**41**	**—**	**6,926**
Economic life (in years)	2-20	2-7	—	—

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 18
PROPERTY, PLANT AND EQUIPMENT (continued)

Amounts of lease liabilities recognized in Bank's statement of financial position:

	31 December 2020	*31 December 2019*
Lease liabilities before prepayments	6,944	2,534
Short-term (up to 1 year)	1,452	938
Long-term (2-5 years)	3,687	1,443
Long-term (over 5 years)	1,805	153
Prepayments received	(67)	(80)
Lease liabilities, carrying value	**6,877**	**2,454**

Please see Note 10 for reconciliation of movements lease liabilities.

As at 31 December 2020 and 31 December 2019, there were no property, plant and equipment pledged to third parties.
Future minimum lease payments to be received under non-cancellable lease agreements for the Bank and the Group were as follows (this includes investment property disclosed in Note 26):

			2020			*2019*
	up to 1 year	*1-5 years*	*over 5 years*	*up to 1 year*	*1-5 years*	*over 5 years*
Group	463	998	437	508	479	90
Bank	141	463	437	33	7	—

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 19
OTHER ASSETS

	2020		2019	
	Group	Bank	Group	Bank
Financial assets:				
Amounts receivable	4,695	4,278	7,875	7,229
Breakdown of financial assets according to maturity				
Short-term (up to 1 year)	4,480	4,063	7,035	6,373
Long-term (over 1 year)	215	215	840	856
Non-financial assets:				
Breakdown of non-financial assets according to maturity				
Short-term (up to 1 year)	11,795	8,404	12,464	1,918
Long-term (over 1 year)	5,853	1,432	3,617	3,127
Inventories	1,391	—	8,780	—
Deferred charges	748	736	913	849
Assets under reinsurance and insurance contracts	1,315	—	1,189	—
Prepayments	3,477	1,469	944	79
Foreclosed assets	509	431	919	835
Assets held for sale	7,547	4,573	1,004	1,004
Other	2,661	2,627	2,332	2,278
TOTAL OTHER ASSETS	**22,343**	**14,114**	**23,956**	**12,274**

Balances of other financial assets include impairment. Reconciliation of allowance for impairment of other financial assets is presented in the table below:

	Group	Bank
Allowance for impairment of other financial assets as of 1 January 2019:	**395**	**372**
Change in allowance for impairment	134	138
Other financial assets written-off during the period	(13)	(5)
Reclassifications and other movements	1	—
Allowance for impairment of other financial assets as of 31 December 2019	**517**	**505**
Change in allowance for impairment	(352)	(350)
Other financial assets written-off during the period	(2)	(2)
Reclassifications and other movements	(2)	—
Allowance for impairment of other financial assets as of 31 December 2020:	**161**	**153**

Inventories relate to real estate projects under development and real estate held for sale by the Bank's subsidiaries Šiaulių Banko Turto Fondas UAB, SBTF UAB, Minera UAB and Pavasaris UAB. All inventories are accounted at lower of cost and net realisable value. Inventories are not pledged.

A net impairment expense reversal of EUR 25 thousand related to repricing inventories and other non-financial assets down to realisable value was included in year 2020 income statement for the Group (the Bank – net expense reversal of EUR 27 thousand). In 2019, the Group included a net impairment expense on inventories and other non-financial assets of EUR 291 thousand in its income statement (the Bank – net expense of EUR 57 thousand).

Assets held for sale and liabilities related to assets held for sale

Assets held for sale consist of:

	2020		2019	
	Group	Bank	Group	Bank
Assets related to subsidiaries classified as held for sale	6,687	3,713	—	—
Real estate classified as held for sale	860	860	1,004	1,004
Total assets classified as held for sale	7,547	4,573	1,004	1,004
Liabilities attributable to subsidiaries classified as held for sale	98	—	—	—

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 19
OTHER ASSETS (continued)

Real estate properties that are planned to be sold within one year are included in assets classified as held for sale. They are included in Traditional banking operations and lending segment. As of 31 December 2020, such real estate assets consisted of six properties with a fair value of EUR 860 thousand (as of 31 December 2019: nine properties with a fair value of EUR 1,004 thousand). No impairment expense related to the repricing these properties down to the realisable value was recognized in 2020 (2019: an impairment expense of EUR 424 thousand was recognized). No income or expenses related to these properties were recorded in profit or loss of discontinued operations. Valuations performed by Group's employees are used to assess the realizable value of these properties. Comparative price methods, i.e. valuation techniques attributable to Level 3 are mostly used valuation techniques.

By implementing its strategic plan, the Bank optimizes the structure of its subsidiaries. The Bank intends to dispose of two subsidiaries attributable to Other activities segment. The Bank intends to sell its subsidiary Minera UAB through a public tender and to liquidate Šiaulių Banko Investicijų Valdymas in 2021, therefore in 2020 these subsidiaries were reclassified from consolidated subsidiaries to subsidiaries held for sale. Impairment expense related to repricing investment Minera UAB of EUR 114 thousand was recognized in Bank's financial statements for 2020 (income statement line "Allowance for impairment losses on investments in subsidiaries"), no repricing was recognized in Group's financial statements. The fair value of investment in Minera UAB was set by an independent appraiser using entity value determination by a method that evaluates its assets using comparative price or income (discounted cash flow, interest rate 8.5%) approaches– i.e. an approach attributable to Level 3 in Fair Value Hierarchy. The value of Šiaulių Banko Investicijų Valdymas was assessed by Group's employees and it was determined that no indications that the fair value is lower than the carrying amount exist.

Profit (loss), net assets of the subsidiaries held for sale is presented in the tables below.

	2020
Profit (loss) attributable to discontinued operacions:	
Interest income	56
Net trading income	159
Net gain from disposal of tangible assets	171
Other income	46
Salaries and related expenses	(112)
Other operating expenses	(231)
Depreciation and amortization	(10)
Impairment and provisions	(39)
Profit (loss) before income tax	40
income tax	81
Profit (loss) for the year	121
Major classes of asset and liabilities included in assets held for sale and liabilities attributable to assets held for sale:	
Investment securities at fair value	1,394
Property, plant and equipment	127
Deferred tax assets	152
Inventories	4,989
Other financial assets	14
Other non-financial assets	11
Total assets	6,687
Current income tax liabilities	11
Other financial liabilities	30
Other non-financial liabilities	57
Total liabilities	98

Investment in subsidiaries classified as held for sale,as of 31 December 2020	*Minera UAB*	*Šiaulių Banko Investicijų Valdymas UAB*	*Total*
Assets held for sale attributable to entity	5,294	1,393	6,687
Liabilities attributable to assets held for sale attributable to entity	74	24	98
Profit (loss) of the current year (recorded in Discontinued operations line of the income statement)	63	58	121

As all of the entities attributed to assets held for sale are 100%-owned, the whole amount of the profit (loss) from discontinued operations is attributable to equity owners of the Group.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 20
DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	2020		2019	
	Group	Bank	Group	Bank
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	49,039	51,546	45,168	46,486
Time deposits	4,172	5,112	983	1,944
Total correspondent accounts and deposits of other banks and financial institutions	**53,211**	**56,658**	**46,151**	**48,430**
Due to central bank	**149,602**	**149,602**	**—**	**—**
Loans received from:				
Other banks	—	—	—	—
Other organisations	7,593	7,593	8,507	8,507
International organisations	17,417	17,417	19,737	19,737
Total loans received	**25,010**	**25,010**	**28,244**	**28,244**
Total	**227,823**	**231,270**	**74,395**	**76,674**
Breakdown of due to other banks and financial institutions according to maturity				
Short-term (up to 1 year)	212,425	214,464	56,244	57,623
Long-term (over 1 year)	16,806	16,806	18,151	19,051
Total	**229,231**	**231,270**	**74,395**	**76,674**

As at 31 December 2020, the outstanding borrowing on the balance sheet under third series of the targeted longer-term refinancing operations (TLTRO-III) program of the European Central Bank amounted to EUR 150 million. Loan maturity date is on 28 June 2023 with early repayment option starting on 29 September 2021. The Bank intends to use the early repayment option. Interest rate on TLTRO III is -0.5% from June 2020 to June 2021 and for banks meeting the lending thresholds, the interest rate can be as low as -1%. The Bank does not include the bonus on the special interest period in its effective interest recognition. The TLTRO-III negative interest recorded in the 2020 income statement line "Interest income" amounts to EUR 398 thousand. Securities with a carrying value of EUR 155,921 thousand were placed as a collateral for these borrowings.

NOTE 21
DUE TO CUSTOMERS

	2020		2019	
	Group	Bank	Group	Bank
Demand deposits:				
National government institutions	49,085	49,085	25,906	25,906
Local government institutions	72,992	72,992	73,856	73,856
Governmental and municipal companies	23,135	23,135	24,058	24,058
Corporate entities	636,651	638,224	402,900	405,115
Non-profit organisations	22,791	22,791	19,456	19,456
Individuals	643,878	643,878	491,616	491,616
Unallocated amounts due to customers	11,887	11,908	69,380	70,190
Total demand deposits	**1,460,419**	**1,462,013**	**1,107,172**	**1,110,197**
Time deposits:				
National government institutions	1,059	1,059	1,432	1,432
Local government institutions	761	761	796	796
Governmental and municipality companies	2,259	2,259	6,501	6,501
Corporate entities	46,309	46,309	56,234	56,234
Non-profit organisations	3,371	3,371	2,242	2,242
Individuals	833,249	833,249	859,272	859,272
Total time deposits	**887,008**	**887,008**	**926,477**	**926,477**
Total	**2,347,427**	**2,349,021**	**2,033,649**	**2,036,674**
Breakdown of due to customers according to maturity				
Short-term (up to 1 year)	2,102,270	2,103,689	1,813,728	1,816,753
Long-term (over 1 year)	244,411	245,332	219,921	219,921
Total	**2,346,681**	**2,349,021**	**2,033,649**	**2,036,674**

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 22
SPECIAL AND LENDING FUNDS

	2020		2019	
	Group	Bank	Group	Bank
Special funds	5,749	5,749	7,060	7,060
Lending funds	—	—	—	—
Total	5,749	5,749	7,060	7,060
Breakdown of special and lending funds according to maturity				
Short-term (up to 1 year)	5,749	5,749	7,060	7,060
Long-term (over 1 year)	—	—	—	—
	5,749	5,749	7,060	7,060

The special funds consist of the funds from the mandatory social and health insurance funds. The special funds have to be returned to the institutions which have placed them upon the first requirement of the latter.

NOTE 23
DEBT SECURITIES IN ISSUE

At 31 December 2020 and 31 December 2019, the Bank subordinated debt securities issued, which consisted of a 10 year bond issue of EUR 20,000 thousand (ISIN code LT0000404287). The bonds were issued on 23 December 2019, annual interest rate is 6.15%. The Bank has a right to call the bonds after 5 years. From 29 April 2020 this issue was listed on Nasdaq Baltic Bond List.

Cash flows and other movements of issued debt securities:

	2020		2019	
	Group	Bank	Group	Bank
As at 1 January	20,044	20,044	20,003	20,003
Issuance	—	—	20,000	20,000
Redemptions	—	—	(20,000)	(20,000)
Accrued interest	1,213	1,213	161	161
Coupon payments	(1,230)	(1,230)	(120)	(120)
As at 31 December	20,027	20,027	20,044	20,044

NOTE 24
LIABILITIES RELATED TO INSURANCE ACTIVITIES

Technical insurance provisions:

Bank's subsidiary SB Draudimas UAB is engaged in life insurance business. For the years ended 31 December 2020 and 2019 the technical insurance provisions and their changes were as follows:

	Unearned premiums	Claims outstanding	Mathematical	Unit-linked	Total
Gross:					
At 1 January 2019	15	221	8,196	19,535	27,967
New business	1	3,127	1,626	4,750	9,504
Expired liabilities	(1)	(3,204)	(679)	(1,990)	(5,874)
Other changes	—	—	148	1,752	1,900
At 31 December 2019	15	144	9,291	24,047	33,497
New business	2	2,926	1,312	5,343	9,583
Expired liabilities	(3)	(2,806)	(564)	(1,814)	(5,187)
Other changes	—	—	494	(2,112)	(1,618)
At 31 December 2020	14	264	10,533	25,464	36,275
Reinsurance share:					
At 1 January 2019	(19)	(10)	(6)	—	(35)
New business	(7)	6	—	—	(1)
Expired liabilities	1	4	1	—	6
Other changes	—	—	—	—	—
At 31 December 2019	(25)	—	(5)	—	(30)
New business	(6)	(23)	—	—	(29)
Expired liabilities	3	7	—		10
Other changes	—	—	—	—	—
At 31 December 2020	(28)	(16)	(5)	—	(49)
Net value					
At 31 December 2019	(10)	144	9,286	24,047	33,467
At 31 December 2020	(14)	248	10,528	25,464	36,226

Liabilities under unit-linked insurance contracts are fully covered with assets: other securities in the trading book and cash (31 December 2020: securities EUR 24,525 thousand, cash EUR 940 thousand, 31 December 2019: securities EUR 23,494 thousand, cash EUR 554 thousand).

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 25
OTHER LIABILITIES

	2020		2019	
	Group	Bank	Group	Bank
Financial liabilities:				
Trade payables	3,698	3,698	3,698	3,698
Accrued charges	13,294	13,294	13,294	13,294
Lease liabilities (see Note 18)	7,239	7,239	7,239	7,239
Total financial liabilities	24,231	24,231	24,231	24,231
Breakdown of other financial liabilities according to maturity				
Short-term (up to 1 year)	16,327	16,327	16,327	16,327
Long-term (over 1 year)	7,904	7,904	7,904	7,904
Non-financial liabilities:				
Advance amounts received from the buyers of assets	4,789	4,789	4,789	4,789
Deferred income	1,255	1,255	1,255	1,255
Provisions	390	390	390	390
Other liabilities	(468)	(468)	(468)	(468)
Total non-financial liabilities	5,966	5,966	5,966	5,966
Breakdown of other non-financial liabilities according to maturity				
Short-term (up to 1 year)	4,382	4,382	4,382	4,382
Long-term (over 1 year)	1,584	1,584	1,584	1,584
Total non-financial liabilities	5,966	5,966	5,966	5,966

Provisions are recognized as the Group's subsidiaries involved in the real estate activities grant service commitments for the properties they develop and sell or for pending legal issues against the Group companies. The movement of provisions is presented in the table below:

	2020		2019	
	Group	Bank	Group	Bank
Provisions at 1 January	660	—	284	—
Additions/(reversals), including increases (decreases) in existing provisions	(199)	—	438	—
Amounts used	(71)	—	(62)	—
Other movements (reclassifications)	—	—	—	—
Provisions at 31 December	390	—	660	—

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 26
INVESTMENT PROPERTY

Investment property

	Group	Bank
Year ended 31 December 2019:		
Carrying amount at 1 January	9,760	2,277
Acquisitions	—	—
Reclassifications	62	(1)
Impairment	(63)	—
Depreciation charge	(220)	(34)
Disposals and write-offs	(1,969)	(1,875)
Carrying amount at 31 December 2019	**7,570**	**367**
As at 31 December 2019:		
Cost	8,716	543
Accumulated depreciation	(1,146)	(176)
Net carrying amount	**7,570**	**367**
Estimated fair value at 31 December 2019	8,582	425
Year ended 31 December 2020:		
Carrying amount at 1 January	7,570	367
Acquisitions	—	—
Reclassifications	220	7
Impairment	(1,998)	—
Depreciation charge	(192)	(12)
Disposals and write-offs	(48)	—
Carrying amount at 31 December 2020	**5,552**	**362**
As at 31 December 2020:		
Cost	6,875	553
Accumulated depreciation	(1,323)	(191)
Net carrying amount	**5,552**	**362**
Estimated fair value at 31 December 2020	8,869	430
Economic life (in years)	20-50	20-50

Income from rent of investment property is included in the income statement line "Other operating income" (see Note 6 "Other income"). Maintenance expenses related to investment property (Group: EUR 115 thousand in 2020, EUR 152 thousand in 2019; Bank: EUR 40 thousand in 2020, EUR 59 thousand in 2019) are included in the income statement line "Other operating expenses". Future minimum lease payments to be received under non-cancellable lease agreements disclosure in Note 18 includes the payments from the investment property leases.

The Group tests the investment property for impairment mainly using valuations from external independent certified appraisers or valuations performed by Group's employees (as of 31 December 2020, 95% of the carrying value of the investment property was tested for impairment using valuations from external independent certified appraisers; as of 31 December 2019 – 95%). Income or comparative price methods, i.e. valuation techniques attributable to Level 3 (income method or comparative price method) are mostly used valuation techniques to test the investment property for impairment both by external and internal valuators.

NOTE 27
CAPITAL

As of 31 December 2020 and 31 December 2019 the Banks's share capital amounted to EUR 174,210,616.27, it comprised 600,726,263 ordinary registered shares with par value of EUR 0.29 each.

At 31 December 2020 and 31 December 2019, the European Bank for Reconstruction and Development possessed 26.02% of the authorised capital and votes of the Bank.

As at 31 December 2020, the Bank had 9,053 shareholders (as at 31 December 2019: 5,391).

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 27
CAPITAL (continued)

Share premium

The share premium represents the difference between the issue price and nominal value of the shares issued by the Bank. Share premium can be used to increase the Bank's authorised share capital. In 2018, the share premium of EUR 3,428 thousand was recognized in the subordinated loan conversion process.

Reserve capital

The reserve capital is formed from the Bank's profit and its purpose is to ensure the financial stability of the Bank. The shareholders may decide to use the reserve capital to cover losses incurred.

Statutory reserve

According to the Law of the Republic of Lithuania on Banks, allocations to the statutory reserve shall be compulsory and shall not be less than 1/20 of the profit available for appropriation. The statutory reserve may, by a decision of extraordinary general or annual meeting of the shareholders, be used only to cover losses of the activities.

Reserve for acquisition of own shares

On 28 March 2019 the ordinary general meeting of shareholders made a decision to form a reserve for acquisition of own shares from retained earnings. The reserve can be used for two purposes – to preserve the market price of Bank's shares and to acquire the shares that will be granted to Group's employees as part of variable remuneration.

During the year ended 31 December 2020 the Bank acquired 780 thousand own shares for EUR 320 thousand. The acquired shares were granted to the employees of the Bank and its subsidiaries as a deferred part of variable remuneration for 2016 and 2017. As of 31 December 2020, the Bank did not possess its own shares

During the year ended 31 December 2019 the Bank acquired 1,176 thousand own shares for EUR 618 thousand. The acquired shares were granted to the employees of the Bank and its subsidiaries as a deferred part of variable remuneration for 2015, 2016 and 2017. As of 31 December 2019, the Bank did not possess its own shares.

Other equity

Other equity consists of amount that corresponds to the obligation to present Bank's shares to Group's employees as part of variable remuneration.

The Group's remuneration policy prescribes two main elements of remuneration – fixed remuneration and variable remuneration, and various additional benefits. Employees whose professional activities and/or decisions might have a significant impact on the risk accepted by the Group, receive deferred variable remuneration. The remuneration amounts are accrued as staff expenses in income statement. Until 2018, Group's incentive scheme included deferred payments in shares and cash of not less than 40% of variable remuneration being paid in equal instalments during three year period. From 2019 under the Group's incentive scheme employees whose professional activities and/or decisions may have a significant impact on the risk assumed be the Group receive 50% of the annual long term incentive program in cash and 50% in form of Bank's shares options executable after 3 years. The number of share options is based on the currency value of the achieved results divided by the weighted average price at which the Bank's shares are traded on Nasdaq Vilnius during the period of five months prior the approval of renumeration. Each option is convertible into one ordinary share.

The Group has assessed fair value of shares option by the Black-Scholes model which is attributable to Level 3 in fair value hierarchy. The model inputs include:

- For the option granted 31 March 2020: grant date (31 March 2020), expiry day (15 April 2023), share price 0.510 on grant day, exercise price 0.449, expected price volatility of the bank's shares 21%, risk free interest rate -0.1%;
- For the option granted 28 March 2019: grant date (28 March 2019), expiry day (15 April 2022), share price EUR 0.456 on grant day, exercise price 0.393, expected price volatility of the bank's shares 24%, risk free interest rate -0.2%.

The value of the option is included in other equity line in the statement of financial position. Other equity consists of.

		2020		*2019*
	Group	Bank	Group	Bank
Options	2,233	1,959	1,097	970
Shares distributable to the employees	126	107	439	375
Total	**2,359**	**2,066**	**1,536**	**1,345**

At 31 December 2020 shares distributable to employees were for year 2017 variable remuneration, at 31 December 2019 – for years 2016 and 2017 variable remuneration. No options were forfeited, exercised or expired during years ended 31 December 2020 and 31 December 2019.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 28
CONTINGENT LIABILITIES AND COMMITMENTS

Contingent tax liabilities

The Tax Authorities have not carried out a full-scope tax audit of the Bank for the period from 2016 to 2020. The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year carry out an inspection of the Bank's books and accounting records and impose additional taxes or fines. Management is not aware of any circumstances that might result in a potential material liability in this respect.

Guarantees issued, letters of credit, commitments to grant loans and other commitments

	2020		2019	
	Group	Bank	Group	Bank
Financial guarantees issued	48,790	48,851	44,425	44,489
Letters of credit	3,522	3,522	13,779	13,779
Commitments to grant loans	278,825	297,828	252,537	280,208
Other commitments	2,940	2,940	2,232	2,232
Total	334,077	353,141	312,973	340,708

Fair value of the guarantees amounts to EUR 308 thousand at 31 December 2020 (31 December 2019: EUR 298 thousand). It is estimated as the amount of the guarantee fee to be paid by the customers less amortization over the contract period.

Staging of guarantees issued, letters of credit, commitments to grant loans and other commitments:

	2020		2019	
	Group	Bank	Group	Bank
Financial guarantees issued:	48,790	48,851	44,425	44,489
Stage 1	48,790	48,851	44,425	44,489
Letters of credit:	3,522	3,522	13,779	13,779
Stage 1	3,522	3,522	13,779	13,779
Commitments to grant loans:	278,825	297,828	252,537	280,208
Stage 1	245,485	264,488	241,405	269,076
Stage 2	32,169	32,169	9,167	9,167
Stage 3	1,171	1,171	1,965	1,965
Other commitments:	2,940	2,940	2,232	2,232
Stage 1	2,940	2,940	2,232	2,232
Total	48,790	48,851	312,973	340,708

As the guarantees and letters of credit are either 100% secured by cash collaterals pledged by the customers to the Bank, or are issued using the credit line that the Bank has granted to the customer (which has its own collaterals and impairment is calculated for the credit line), no ECL impairment provisions are formed against these obligations. Commitments to grant loans are included in the EAD model in loan ECL calculations and the impairment is calculated for the whole instrument that includes both on-balance and off-balance sheet amounts, therefore the impairment for commitments to grant loans is included in the loan impairment amount.

The Group's liabilities include provisions for other contingent liabilities that are recognized using IAS 37 approach. Such provisions are disclosed in Note 25.

NOTE 29
DIVIDENDS

Dividends are declared during the annual general meeting of shareholders of the Bank when appropriation of profit for the reporting period is performed.

On 31 March 2020 the ordinary general meeting of shareholders did not approve draft profit distribution therefore no dividends were paid out for year 2019 and all the profit that the Bank has earned for 2019 remains undistributed.

On 29 March 2019 the ordinary general meeting of shareholders made a decision to pay EUR 0.029 (i.e. 10.00%) dividends per one ordinary registered share with EUR 0.29 nominal value each. The dividends were paid to shareholders as per their stakes at the end of the day of accounting of rights of the Meeting (11 April 2019). Total amount of dividends was EUR 17,421 thousand.

Unpaid dividends are included in other financial liabilities in the statement of financial position. The table below shows the movements in dividends for the years 2020 and 2019:

	2020	2019
Unpaid dividend amount at 1 January:	55	16
Dividends declared	—	17,421
Dividends paid	(10)	(17,382)
Unpaid dividend amount at 31 December:	45	55

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 30
RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

a) members of the Bank's Supervisory Council and Board (which also are the main decision makers of the Group), their close family members and companies that are controlled, jointly controlled over by these related parties;
b) subsidiaries and held-for-sale subsidiaries of the Bank, includes Apželdinimas UAB, SB Draudimas GD UAB, Minera UAB, Sandworks UAB, SB Lizingas UAB, Šiaulių Banko Investicijų Valdymas UAB, Šiaulių Banko Lizingas UAB, Šiaulių Banko Turto Fondas UAB;
c) the shareholders holding over 20% of the Bank's share capital or being a part of a voting group acting in concert that holds over 20% of voting rights therefore presumed to have a significant influence over the Group.

During 2020 and 2019, a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions.

The year-end balances of loans (incl. off-balance sheet commitments) granted to and deposits accepted from the Bank's related parties, except for subsidiaries, and ranges of annual interest rates were as follows (data of the Bank):

	Deposits, at the year-end		*Range of annual interest rates, %*		*Loans, at the year-end*		*Range of annual interest rates, %*		*Off-balance sheet commitments, at the year-end*	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Members of the Council and the Board	1,606	1,535	0.00-0.15	0.00-0.05	57	—	2	—	31	31
Other related parties (excluding subsidiaries of the Bank)	4,306	3,365	0.00-0.30	0.00-0.70	18,161	20,070	0.690-3.86	1.17-3.87	5	5
Total	5,912	4,900	—	—	18,218	20,070	—	—	36	36
% of regulatory capital	1.80%	1.82%	—	—	5.55%	7.44%	—	—	0.01%	0.01%

As at 31 December 2020, loans to related parties (except for subsidiaries) with gross value before impairment provisions of EUR 18,218 thousand (31 December 2019: EUR 20,078 thousand) had collaterals.

At 31 December 2020 and 2019, Bank's subsidiaries had no material transactions with the related parties except for the Bank and its subsidiaries.

As at 31 December 2020, balance of allowances for impairment losses that are related to balances of loans to related parties, except for subsidiaries, was equal to EUR 51 thousand. An impairment expense of EUR 15 thousand related to these loans was recorded profit or loss in 2020. As at 31 December 2019, balance of allowances for impairment losses that are related to balances of loans to related parties, except for subsidiaries, was equal to EUR 36 thousand.

Transactions with subsidiaries:

Balances of Bank's transactions with the subsidiaries are given below:

	Deposits, at the year-end		*Range of annual interest rates, %*		*Loans, at the year-end*		*Range of annual interest rates, %*		*Off-balance sheet commitments, at the year-end*	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Non-financial institutions	2,575	4,164	0.00	0.00	4,709	7,539	2.6	2.3	1,058	1,725
Financial institutions	2,466	1,141	0.00-1.90	0.00-1.90	102,760	101,425	2.6	2.3-5.0	26,372	33,681

No collateral is obtained on loans to subsidiaries.

NOTE 30
RELATED-PARTY TRANSACTIONS (continued)

Bank's total balances with subsidiaries (see Note 16 for details on investment in subsidiaries):

	2020	2019
Assets		
Loans	107,468	108,964
Other assets	93	69
Bank's investment in subsidiaries	29,135	31,491
Liabilities		
Term deposits	—	961
Demand deposits	4,866	4,344
Other liabilities	175	14

Income and expenses arising from transactions with subsidiaries:

	2020	2019
Income		
Interest	3,210	4,049
Commission income	494	704
Income from foreign exchange operations	6	6
Share of the profit or loss of investments in subsidaries accounted for using the equity method	5,470	4,713
Other income	250	86
Expenses		
Interest	(17)	(18)
Operating expenses	(1)	(27)
Impairment of loans	(2,158)	(455)
Impairment of an investment to subsidiaries	114	1,996

As at 31 December 2020 balance of allowances for impairment losses that are related to balances of loans to subsidiaries was EUR 2,672 thousand (as at 31 December 2019: EUR 504 thousand).

Remuneration of the management of the Group/Bank

According to the Bank's Remuneration Policy, the members of the management bodies are paid a fixed and annual variable remuneration. The annual variable remuneration fund is formed based on the Bank's performance, taking into account current and future risks. During 2020 the total amount of fixed and annual variable renumeration (total of payments in cash and in shares of the Bank) to the Bank's Board members amounted to EUR 2,037 thousand (2019: EUR 2,233 thousand).

	2020	2019
Fixed renumeration in cash	1,208	1,243
Variable renumeration in cash	697	740
Variable renumeration in shares of Bank	132	250
Total	**2,037**	**2,233**

No other post-employment benefit or long term benefit were paid to members of Board.

Liabilities related to long term benefits related to remuneration are presented in the table below:

	2020	2019
Short-term (up to 1 year)	121	274
Long-term (over 1 year)	992	626
Total	1,113	900

	Payment in cash due in:				*Payment in shares due in:*				*Total*
	up to 1 year	1 to 2 years	2 to 3 years	Total	up to 1 year	1 to 2 years	2 to 3 years	Total	
31 December 2019:									
for year 2016 salaries and bonuses	68	—	—	68	85	—	—	85	153
for year 2017 salaries and bonuses	68	68	—	136	53	53	—	106	242
for year 2018 salaries and bonuses	—	—	—	—	—	—	505	505	505
Total liability at 31 December 2019	**136**	**68**	**—**	**204**	**138**	**53**	**505**	**696**	**900**
31 December 2020:									
for year 2017 salaries and bonuses	68	—	—	68	53	—	—	53	121
for year 2018 salaries and bonuses	—	—	—	—	—	505	—	505	505
for year 2019 salaries and bonuses	—	—	—	—	—	—	487	487	487
Total liability at 31 December 2020	68	—	—	68	53	505	487	1,045	1,113

Note: payment in shares amounts at 31 December 2019 were changed due to correction of error in previous financial statements. Previously number of shares in thousands units was reported instead of value of shares in EUR thousand.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 31
FINANCIAL GROUP INFORMATION

According to local legislation the Bank is required to disclose certain information for the Financial group. As of 31 December 2020 and 31 December 2019 the Bank owned the following directly controlled subsidiaries included in the prudential scope of consolidation (the Bank and four subsidiaries comprised the Financial group, all of the entities attributable to Financial Group operate in Lithuania):

1. Šiaulių Banko Lizingas UAB (lease activities),
2. Šiaulių Banko Investicijų Valdymas UAB (investment management activities),
3. Šiaulių Banko Turto Fondas UAB (real estate management activities),
4. SB Lizingas UAB (consumer financing activities).

In the Financial Group financial statements, the subsidiaries of the Bank that are not included in the Financial Group are not consolidated in full as would be required by IFRS 10 but presented on the consolidated balance sheet of the Financial Group as investments in subsidiaries at cost less impairment, in the same way as presented on the balance sheet of the Bank. This presentation is consistent with the regulatory reporting made by the Bank according to the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR).

STATEMENT OF FINANCIAL POSITION

	31 December 2020		*31 December 2019*	
	Fin. Group	Bank	Fin. Group	Bank
ASSETS				
Cash and cash equivalents	432,035	431,649	181,903	181,582
Securities in the trading book	9,582	9,582	15,354	15,354
Due from other banks	1,598	1,598	280	280
Derivative financial instruments	445	445	986	986
Loans to customers	1,610,371	1,592,363	1,522,117	1,510,052
Finance lease receivables	155,457	155,290	157,597	157,540
Investment securities at fair value	34,342	34,215	14,059	9,491
Investment securities at amortized cost	697,136	697,136	535,479	535,479
Investments in subsidiaries	11,320	29,135	15,406	31,491
Intangible assets	4,232	4,230	2,922	2,921
Property, plant and equipment	16,233	15,852	11,590	11,170
Investment property	2,920	362	3,053	367
Current income tax prepayment	8	8	4	—
Deferred income tax asset	2,076	1,690	1,214	831
Inventories	1,311	—	2,523	—
Other financial assets	4,672	4,278	7,778	7,229
Other non-financial assets	6,562	5,263	5,035	4,041
Assets classified as held for sale	5,116	4,573	1,004	1,004
Total assets	**2,995,416**	**2,987,669**	**2,478,304**	**2,469,818**
LIABILITIES				
Due to other banks and financial institutions	230,143	231,270	75,534	76,674
Derivative financial instruments	3,840	3,840	945	945
Due to customers	2,347,682	2,349,021	2,036,674	2,036,674
Special and lending funds	5,749	5,749	7,060	7,060
Debt securities in issue	20,027	20,027	20,044	20,044
Current income tax liabilities	1,092	737	1,488	1,472
Deferred income tax liabilities	1,251	—	917	—
Other financial liabilities	23,492	20,337	17,437	13,817
Other non-financial liabilities	6,047	1,124	6,406	1,781
Liabilities related to assets classified as held for sale	24	—	—	—
Total liabilities	**2,639,347**	**2,632,105**	**2,166,505**	**2,158,467**
EQUITY				
Capital and reserves attributable to owners of the Bank				
Share capital	174,211	174,211	174,211	174,211
Share premium	3,428	3,428	3,428	3,428
Reserve capital	756	756	756	756
Statutory reserve	14,304	14,246	14,292	14,246
Financial instruments revaluation reserve	10,000	10,000	(22)	(22)
Reserve for acquisition of own shares	375	375	10,000	10,000
Other equity	2,325	2,066	1,524	1,345
Retained earnings	150,670	150,482	107,610	107,387
Total equity	356,069	355,564	311,799	311,351
Total liabilities and equity	2,995,416	2,987,669	2,478,304	2,469,818

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 31
FINANCIAL GROUP INFORMATION (continued)

INCOME STATEMENT

	31 December 2020		31 December 2019	
	Fin. Group	Bank	Fin. Group	Bank
Continuing operations				
Interest revenue calculated using the effective interest method	78,481	65,067	73,411	63,842
Other similar income	7,449	7,435	7,108	7,074
Interest expense and similar charges	(10,329)	(10,071)	(8,216)	(8,032)
Net interest income	75,601	62,431	72,303	62,884
Fee and commission income	22,759	23,014	22,920	23,222
Fee and commission expense	(6,488)	(6,327)	(6,045)	(5,909)
Net fee and commission income	16,271	16,687	16,875	17,313
Net gain from trading activities	12,018	12,018	11,562	11,245
Net gain (loss) from derecognition of financial assets	1,265	384	2,442	1,184
Net gain (loss) from disposal of tangible assets	266	7	1,135	198
Other operating income	718	452	941	580
Salaries and related expenses	(22,342)	(20,506)	(21,549)	(19,607)
Depreciation and amortization expenses	(3,794)	(3,569)	(3,255)	(2,996)
Other operating expenses	(14,683)	(11,681)	(14,346)	(11,330)
Operating profit before impairment losses	65,320	56,223	66,108	59,471
Allowance for impairment losses on loans and other assets	(12,283)	(9,950)	(8,595)	(6,177)
Allowance for impairment losses on investments in subsidiaries	(114)	(114)	1,996	1,996
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	(108)	5,470	1,263	4,713
Profit from continuing operations before income tax	52,815	51,629	60,772	60,003
Income tax expense	(9,859)	(8,534)	(7,891)	(6,900)
Net profit from continuing operations for the year	42,956	43,095	52,881	53,103
Profit (loss) from discontinued operations, net of tax	58	—	—	—
Net profit for the year	43,014	43,095	52,881	53,103
Net profit attributable to:				
Owners of the Bank	43,014	43,095	52,881	53,103
From continuing operations	42,956	43,095	52,881	53,103
From discontinued operations	58	—	—	—
Non-controlling interest	—	—	—	—

STATEMENT OF COMPREHENSIVE INCOME

	2020		2019	
	Fin. Group	Bank	Fin. Group	Bank
Profit for the year	43,014	43,095	52,881	53,103
Other comprehensive income (loss):				
Items that may be subsequently reclassified to profit or loss:				
Financial assets valuation gains taken to other comprehensive income	839	839	766	766
Financial assets valuation result transferred to profit or loss	(393)	(393)	(166)	(166)
Deferred income tax on gain (loss) from revaluation of financial asset	(49)	(49)	(130)	(130)
Items that may not be subsequently reclassified to profit or loss:				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	—	—	—	—
Other comprehensive income (loss), net of deferred tax	397	397	470	470
Total comprehensive income	43,411	43,492	53,351	53,573
Total comprehensive income (loss) attributable to:				
Owners of the Bank	43,411	43,492	53,351	53,573
Non-controlling interest	—	—	—	—
	43,411	43,492	53,351	53,573

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 31
FINANCIAL GROUP INFORMATION (continued)

STATEMENT OF CASH FLOWS

	Year ended			
	31 December 2020		31 December 2019	
	Fin. Group	Bank	Fin. Group	Bank
Operating activities				
Interest received on loans and advances	81,084	67,625	65,300	55,527
Interest received on finance leases	7,139	7,123	6,907	6,871
Interest received on debt securities in the trading book	463	463	960	960
Interest paid	(3,407)	(3,133)	(7,357)	(7,053)
Fees and commissions received	22,668	23,014	22,829	23,131
Fees and commissions paid	(6,443)	(6,327)	(6,000)	(5,864)
Net cash inflows from trade in securities in the trading book	3,310	3,273	30,207	28,890
Net inflows from foreign exchange trading	11,872	11,843	7,940	7,940
Net inflows from derecognition of financial assets	1,265	384	2,442	1,184
Net inflows from disposal of tangible assets	266	7	2,268	420
Cash inflows related to other activities of Group companies	-	452	941	580
Recoveries on loans previously written off	1,372	694	2,162	422
Salaries and related payments to and on behalf of employees	(22,709)	(20,874)	(22,369)	(20,427)
Payments related to operating and other expenses	(19,569)	(26,754)	(13,038)	(10,073)
Income tax (paid)	(8,327)	(8,502)	(4,482)	(3,759)
Net cash flow from operating activities before change in operating assets and liabilities	68,984	49,288	88,710	78,749
Change in operating assets and liabilities:				
Decrease in due from other banks	(1,318)	(1,318)	1,810	1,810
Increase in loans to customers	(87,806)	(94,789)	(258,154)	(250,196)
Increase in finance lease receivable	(631)	1,571	(34,854)	(34,938)
Decrease (increase) in other financial assets	3,106	2,951	5,037	5,479
Decrease (increase) in other non-financial assets	(17,099)	(7,832)	(1,213)	1,235
Increase in due to banks and financial institutions	154,613	154,600	5,371	5,386
Increase in due to customers	304,082	305,421	188,993	188,991
Increase (decrease) in special and lending funds	(1,311)	(1,311)	3,868	3,868
Increase (decrease) in other financial liabilities	662	7,175	6,704	5,665
Increase (decrease) in other non-financial liabilities	7,801	14,717	(285)	(5,141)
Change	362,099	381,185	(82,723)	(77,841)
Net cash flow from operating activities	431,083	430,473	5,987	908
Investing activities				
(Acquisition) of property, plant and equipment, investment property and intangible assets	(4,335)	(4,335)	(4,448)	(4,245)
Disposal of property, plant and equipment, investment property and intangible assets	1,609	2,292	5,082	4,778
(Acquisition) of investment securities at amortized cost	(387,599)	(387,599)	(37,876)	(37,876)
Proceeds from redemption or sale of investment securities at amortized cost	225,008	225,008	122,242	122,242
Interest received on investment securities at amortized cost	6,381	6,381	14,740	14,740
Dividends received	2	4,002	42	4,842
(Acquisition) of investment securities at fair value	(24,605)	(28,640)	(7,469)	(7,204)
Sale or redemption of investment securities at fair value	4,847	4,551	14,031	14,031
Interest received on investment securities at fair value	551	551	382	350
Net cash flow from (used in) investing activities	(178,141)	(177,789)	106,726	111,658
Financing activities				
Payment of dividends	(11)	(11)	(17,382)	(17,382)
Interest on debt securities in issue	(1,230)	(1,230)	(120)	(120)
Issue of debt securities	—	—	20,000	20,000
Redemption of debt securities issued	—	—	(20,000)	(20,000)
Principal elements of lease payments	(1,569)	(1,376)	(1,298)	(1,214)
Net cash flow (used in) from financing activities	(2,810)	(2,617)	(18,800)	(18,716)
Net increase (decrease) in cash and cash equivalent	250,132	250,067	93,913	93,850
Cash and cash equivalents at 1 January	181,903	181,582	87,990	87,732
Cash and cash equivalents at 31 December	432,035	431,649	181,903	181,582

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 31
FINANCIAL GROUP INFORMATION (continued)

FINANCIAL GROUP'S STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	*Reserve for acquisition of own shares*	*Other equity*	Retained earnings	Total
1 January 2019	174,211	3,428	756	(492)	10,241	—	—	86,201	274,345
Transfer to statutory reserve	—	—	—	—	4,051	—	—	(4,051)	—
Transfer to reserve for acquisition of own shares	—	—	—	—	—	10,000	—	(10,000)	—
Acquisition of own shares	—	—	—	—	—	(618)	—	—	(618)
Share-based payment	—	—	—	—	—	618	1,524	—	2,142
Payment of dividends	—	—	—	—	—	—	—	(17,421)	(17,421)
Total comprehensive income:	—	—	—	470	—	—	—	52,881	53,351
Net profit	—	—	—	—	—	—	—	52,881	52,881
Other comprehensive income	—	—	—	470	—	—	—	—	470
31 December 2019	174,211	3,428	756	(22)	14,292	10,000	1,524	107,610	311,799
Transfer to statutory reserve	—	—	—	—	12	—	—	46	58
Acquisition of own shares	—	—	—	—	—	(320)	—	—	(320)
Share-based payment	—	—	—	—	—	320	801	—	1,121
Total comprehensive income:	—	—	—	397	—	—	—	43,014	43,411
Net profit	—	—	—	—	—	—	—	43,014	43,014
Other comprehensive income	—	—	—	397	—	—	—	—	397
31 December 2020	174,211	3,428	756	375	14,304	10,000	2,325	150,670	356,069

COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

During the years ended 31 December 2020 and 31 December 2019, the Financial group and the Bank complied with prudential requirements to which it was subject.

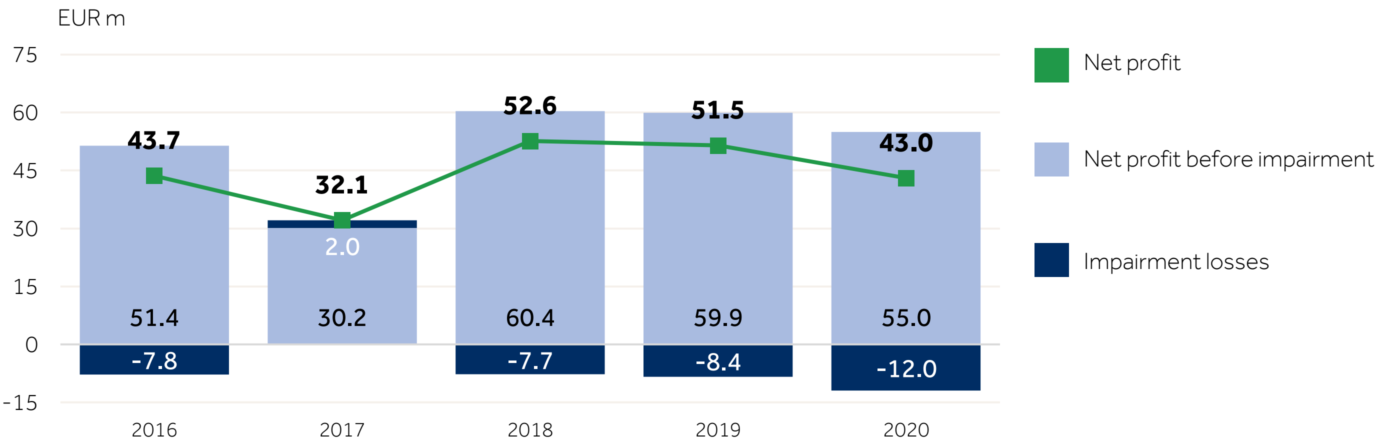
CONSOLIDATED ANNUAL REPORT OF ŠIAULIŲ BANKAS AB FOR 2020

The consolidated report of Šiaulių Bankas AB (hereinafter — the Bank) covers the period 01 January 2020 to 31 December 2020.

The description of alternative performance indicators is available on the Bank's website at:
Homepage › Bank Investors › Financial Information › Alternative Performance Measures.

ANNUAL ACTIVITY RESULTS

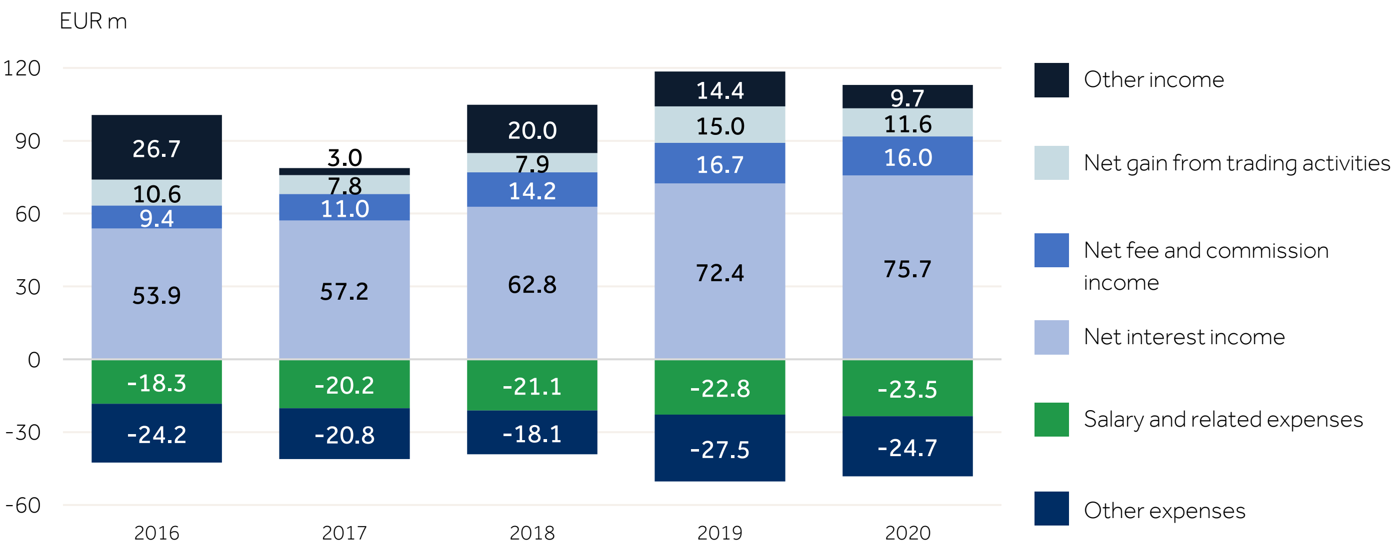
- *Šiaulių Bankas Group earned EUR 43.0 million of net profit in year 2020*
- *The assets grew by 21% and exceeded EUR 3 billion*
- *The loan portfolio increased by 5% and reached EUR 1.76 billion*
- *The Bank became an active and significant participant of mortgage market - the portfolio increased almost 3 times and reached EUR 297 million*
- *The deposit portfolio grew by 15% and reached EUR 2.35 billion*
- *While overcoming the pandemic challenges, the Group managed to provide all services to customers, offered support solutions to residents and businesses impacted by COVID-19*



Overview of the key performance indicators

The Šiaulių Bankas Group earned EUR 43.0 million of the net profit in year 2020 (EUR 51.5 million in 2019). Operating profit before impairment losses and income tax amounted to EUR 64.8 million, which is by 5% less than in 2019. The net profit for Q4 was EUR 8.8 million, and the operating profit before impairment losses and income tax amounted to EUR 13.5 million.

Net interest income increased by 5% compared to year 2019 and amounted to EUR 75.7 million. Net fee and commission decreased moderately to EUR 16.0 million, which is by 4% less than in year 2019.



There are no signs of significant decrease of credit quality or increase of loan repayment delays noticed, however, taking into account the findings of ECB asset quality review process, the Bank has changed the clients' credit quality evaluation criteria, which lead to the increase of non-performing exposures in the portfolio to 6.9%. The total amount of impairment losses for Q4 was EUR 2.9 million, and the total provisions for year 2020 amounts to EUR 12.0 million (EUR 8.4 million in 2019). The cost-of-risk (CoR) on loans in year 2020 was 0.6% (0.5% in year 2019).

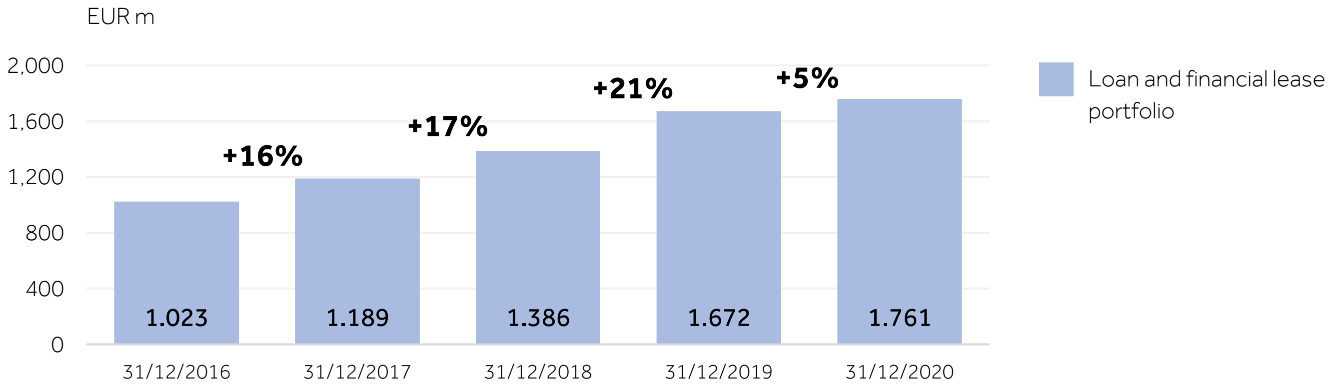
The cost-to-income ratio was 42.7% at the end of the year (42.5% in year 2019), and the return-on-equity (ROE) was 12.7% (17.6% in year 2019).

The capital and liquidity positions remain sound and the prudential requirements are met with a large reserve – with a liquidity coverage ratio (LCR) of 283%* and a capital adequacy ratio (CAR), not including net profit for the year 2020, of 17.2%*.

**forecast data*

Overview of Business Segments

Business and Private Clients Financing



The loan and finance lease portfolio increased by 5% and exceeded EUR 1.76 billion (+1% quarter-on-quarter) at the end of 2020. The new credit agreements signed in 2020 amount to EUR 700 million, which is 22% less than during year 2019.

Due to the uncertainty and government support, the business financing demand continued to decrease - during the Q4 business financing portfolio has decreased by 2% to EUR 1.06 billion (-9% year-on-year).

On the other hand, despite the restrictions of second quarantine, we have recorded a strong demand for household lending. Mortgage loan portfolio during Q4 has increased by 11%, to EUR 297 million (+192% year-on-year). Consumer financing portfolio during Q4 decreased by 2%, to EUR 160 million and remained unchanged throughout the year.

The Bank remains active in financing energy efficiency projects, the loan agreements for modernisation of multi-apartment buildings signed amounted to EUR 26 million during the Q4 (+258% year-on-year) and to EUR 81 million during the whole year (+176% year-on-year). In Q4, the Bank continued intensively working to set up a EUR 200 million renovation fund with the European Investment Bank (EIB) with the purpose of attract private and international investors, and thus encourage them to invest in multi-apartment building modernisation projects through the fund. The fund's launch date is moved to Q3, 2021.

Daily Banking

The customer activity in using the Bank's services have been affected by the second quarantine that took place during major part of Q4. Net fee and commission income decreased by 7% to EUR 4.0 million, compared to Q3.

Over 21 thousand of new private customers and over 2 thousand of new business customers have started using the Bank's services in 2020. The service plans portfolio increased by 14% for private customers, and by 2% for business customers (49% of private and 55% of business customers, respectively, have already subscribed to service plans).

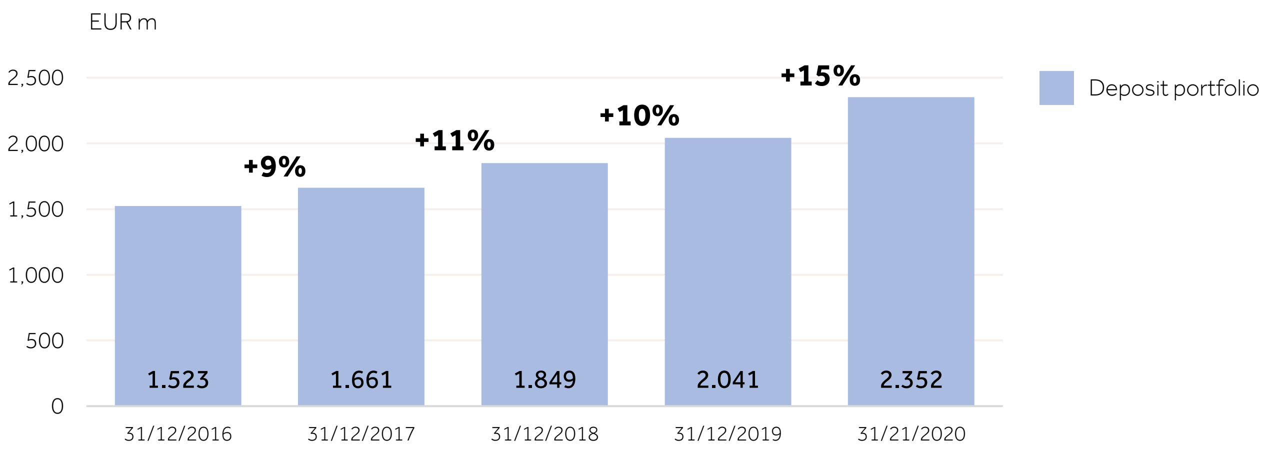
The updated digital services for customers during the third quarter - on-line banking and mobile application - have allowed to improve customer experience in the Bank's digital channels. The number of users in e-channels exceeded 190 thousand, number of logins to the e-channels increased by 26% during the year, and, in December 2020, for the first time, there were over 1 million logins to the e-channels. All in all, the customer stream for the remote service has increased twice.

The number of payment cards increased by 9% (up to 174 thousand), compared to the end of year 2019. The number of operations and turnover increased by 23% and 21%, respectively, compared to year 2019. The demand for cash has also increased - although the number of operations did not change, the turnover of cash operations increased by 10%, compared to year 2019.

Customer service units are subject to early registration of clients for the visit. Customers wishing to keep their distance are served remotely. Only 7 out of 59 customer service units, which locate in the biggest Lithuanian cities, were closed during second quarantine. Considering the restrictions of moving between the municipalities, the Bank aims to ensure an access to the Bank's services for the customers.

Saving and Investing

The deposit portfolio has increased by 15% during the year and amounted to EUR 2.35 billion at the end of 2020. The demand deposits increased by 32%, or EUR 353 million, during the year, while the term deposits decreased by EUR 40 million (- 4% year-on-year). The loan-to-deposit ratio stood at 75% at the end of Q4 (82% at the end of year 2019). While having high liquidity buffers and in order to lower funding costs, interest rates on term deposits have been reduced again from January 2021.



COVID-19

Until the beginning of 2020, the development of the Lithuanian financial system was sustainable, but with the onset of the coronavirus (COVID-19) outbreak, the financial system faced a global challenge, and the onset of the economic downturn affected all market participants. Following the outbreak of the coronavirus pandemic in March, the first quarantine was announced in Lithuania on 16 March (duration 16/03/2020 - 17/06/2020). In response to the Government's decisions and recommendations, a decision was made to reduce the number of operating units, ensuring the conditions for customers to receive services remotely. At the beginning of April, the number of operating units was reduced from 60 to 21 units, ensuring operations in the main cities and towns of Lithuania. With the gradual easing of quarantine conditions in the country, additional units were gradually opened from late April to June. As of June 1, all branches of the Bank were already open at their regular business hours. The second quarantine was announced on November 7, 2020. Currently, 7 customer service points in major cities have been closed in order to optimize the number of units operating in cities and to ensure customers' access to banking services in all cities, especially taking into account the restrictions on movement between municipalities.

Aids for customers affected by COVID-19

In the course of this year, uncertainty over COVID-19 reduced lending volumes. In order to alleviate the situation of distressed customers in the context of COVID-19, Šiaulių Bankas, together with other Lithuanian credit companies, announced a moratorium on loan deferrals, during which loan repayment deferrals were made from April 20 to September 30 for both businesses and individuals. In January 2021, Šiaulių bankas, together with other Lithuanian credit companies, agreed to extend the moratoriums on temporary deferral of credit liabilities to private and business customers affected by COVID-19 until 31 March 2021.

As at 31 December, the provision for COVID-19 loans in the Bank's loan portfolio amounted to 213 million euros (or 699 customers), of which EUR 80 million was for customers subject to the moratorium. The largest part of deferred payments consists of a provision for legal entities - 202 million euros (or 405 customers), the rest - individuals - 10.7 million euros (or 267 customers). COVID-19 hardest hit the manufacturing (11% of the deferred payment portfolio), wholesale and retail trade (13% of the deferred payment portfolio) and real estate (35% of the deferred payment portfolio) sectors. As a result of the COVID-19 housing loans in deferred payments portfolio amount to EUR 8.1 million (3.8% of the deferred payments portfolio), of which EUR 3.9 million to customers subject to the moratorium. Only one customer applied for a deferral of payment at the end of the year.

During Q4, a deferral period applied to EUR 161 million of corporate loans deferred due to COVID-19 had expired. As of 31 December, only 8% of them have applied for additional restructuring. EUR 41 million of corporate loans, deferred due to COVID-19, had not reached the end of deferral period by the end of year 2020. An increase of loans payment delays, affected by COVID-19, is not expected, however, there is still uncertainty due to the pandemic, so it is difficult to predict future tendencies.

The moratorium on assistance to private customers undertakes to allow all private customers to defer their mortgage payments for up to one year and leasing and consumer loans for up to six months, without changing the terms of the agreement or interest. Under the moratorium for corporate customers, the bank undertook to defer loan payments to companies for up to 6 months without changing agreement terms and interest (the moratorium applies to business loans totalling up to EUR 5 million per group of companies which have not had significant payment delays in the last one year).

An agreement has also been signed with the state-owned financial institution INVEGA on the financing of soft loans for the businesses most affected by COVID-19. Since the start of quarantine, the Bank has provided loans of EUR 46.5 million to more than 500 companies under state business support programs.

RATINGS

On 16 May 2019, the international rating agency Moody's Investors Service, after assessing the consistent strengthening of capitalization and sustainable improvement of profitability, improved the credit rating of Šiaulių Bankas and set the following:

- a long-term deposit rating – Baa2;
- a short-term deposit rating - P-2;
- rating outlook - Stable.

On 18 February 2021 Moody's affirmed previous long-term deposit rating Baa2 and changed its outlook to positive from stable. The bank was also affirmed with the short-term deposit rating of P-2.

RISK MANAGEMENT, COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

A complete disclosure of all significant risks incurred by the Group is provided in the chapter Financial Risk Management of the explanatory note of the financial statement for 2020.

Income was growing faster than its expenses which led to the high efficiency of the performance. Capital and liquidity position remain robust - prudential requirements are implemented with adequate reserve.

The main financial indicators of the Group:

	31/12/2016	*31/12/2017*	*31/12/2018*	*31/12/2019*	*31/12/2020*
ROAA, %	2.5	1.6	2.4	2.1	1.5
ROAE, %	26.1	16.1	22.3	17.6	12.7
Cost to income ratio, %	42.3	52.1	37.3	42.5	42.7
Loan to deposit ratio, %	68.5	72.2	75.1	82.2	75.1

Data on indicators are also available on the website of Šiaulių Bankas - on operating profitability indicators:

Homepage › Bank Investors › Financial Information › Profitability Ratios

and prudential requirements:

Homepage › Bank Investors › Financial Information › Prudential Standards

ACTIVITY PLANS AND FORECASTS

Taking into account the significantly changed business and regulatory environment, a Strategic Business Plan for the period 2021-2023 was prepared at the end of 2020 and approved in January 2021.

The following assumptions were used while preparing the plan:

- The Covid-19 pandemic will be controlled and due to the economic recovery, Lithuania's GDP will grow by 1.9% in 2021, and by 2.0-2.3% in the later period;
- The Bank will give priority to the alternative of organic growth while continuing its operations in Lithuania;
- The low interest rate environment will remain over the period covered in the plan.

The plan sets out specific measures to strengthen actions in the priority areas:

- Optimizing the efficiency of network operations by developing digital sales and self-service channels;
- Development of a shared customer base and product integration at the group level;
- Implementation of the highest standard governance practices;
- Strengthening the financing products portfolio (focusing on financing of business, consumer, and multi-apartment modernization projects).

The implementation of the planned measures will ensure the sustainable and profitable operation of the group, increase of market share and meeting the expectations of investors, achieving a return on equity of 15% and returning to the level of dividends paid in the dividend policy.

AUTHORIZED CAPITAL, SHAREHOLDERS

As of 31 December 2020, the authorized capital of the Bank totalled to EUR 174,210,616.27 and is divided into 600,726,263 units of ordinary registered shares with a nominal value of EUR 0.29 each (ISIN LT0000102253 Nasdaq CSD Lithuanian branch). The Charter of the Bank were registered in the Register of Legal Entities on 13 December 2018 after the last increase of the authorized capital by additional contributions. The authorized capital of the bank was not increased during 2020.

The rights granted by the Bank's shares are specified in the Bank's Charter, which is available on the Bank's website at:

Homepage › About Us › Important Documents

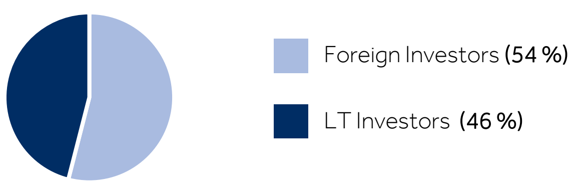
Authorized capital:

	03/06/2014	*26/05/2015*	*14/09/2015*	*26/05/2016*	*06/06/2017*	*01/06/2018*	*13/12/2018*
Capital, EUR	78,300,000	85,033,800	91,226,381.99	109,471,658.33	131,365,989.88	157,639,187.74	174,210,616.27

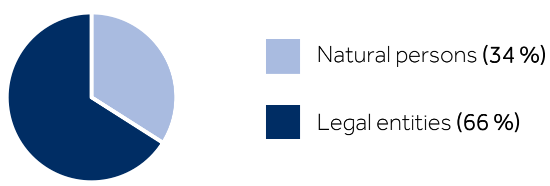
As of 31 December 2020 the number if the Bank's shareholders was 9,053 (at the end of 2019 – 5,391). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the The Republic of Lithuania of Lithuania and the Charter of the Bank:

Homepage › About Us › Important Documents

Shareholders by residence



Shareholders by type



Shareholders owning more than 5% of the Bank's shares and votes as of 31 December 2020:

	Share of shares and votes, %
ERPB, LEI code 549300HTGDOVDU60GK19	26.02
*Invalda INVL AB, c.c. 121304349**	6.14
*Algirdas Butkus***	5.36
*Gintaras Kateiva****	5.29

* Pursuant to the Law on Securities of the Republic of Lithuania, the shareholder's votes are counted together with the controlled company UAB INVL Asset Management, company code 126263073 - 0.66% of the votes.

** Votes are counted together with controlled companies: Prekybos namai AIVA UAB, company code 144031190 - 2.03%, Mintaka UAB, company code 144725916 - 0.90%.

*** Votes are counted together with the votes held by the spouse.

There are no restrictions on the transfer of the Bank's shares, except for the shares granted to the Bank's employees in accordance with the Remuneration Policy, which are subject to a 12-month transfer restriction.

There are no significant agreements to which the Bank is a party that would enter into force, change or terminate upon a change in control of the Bank. At the same time, we would like to inform you that the Bank has concluded cooperation agreements with international financial partners on financing and provision of guarantee instruments to the Bank, which include a change of control clause, which may affect further cooperation.

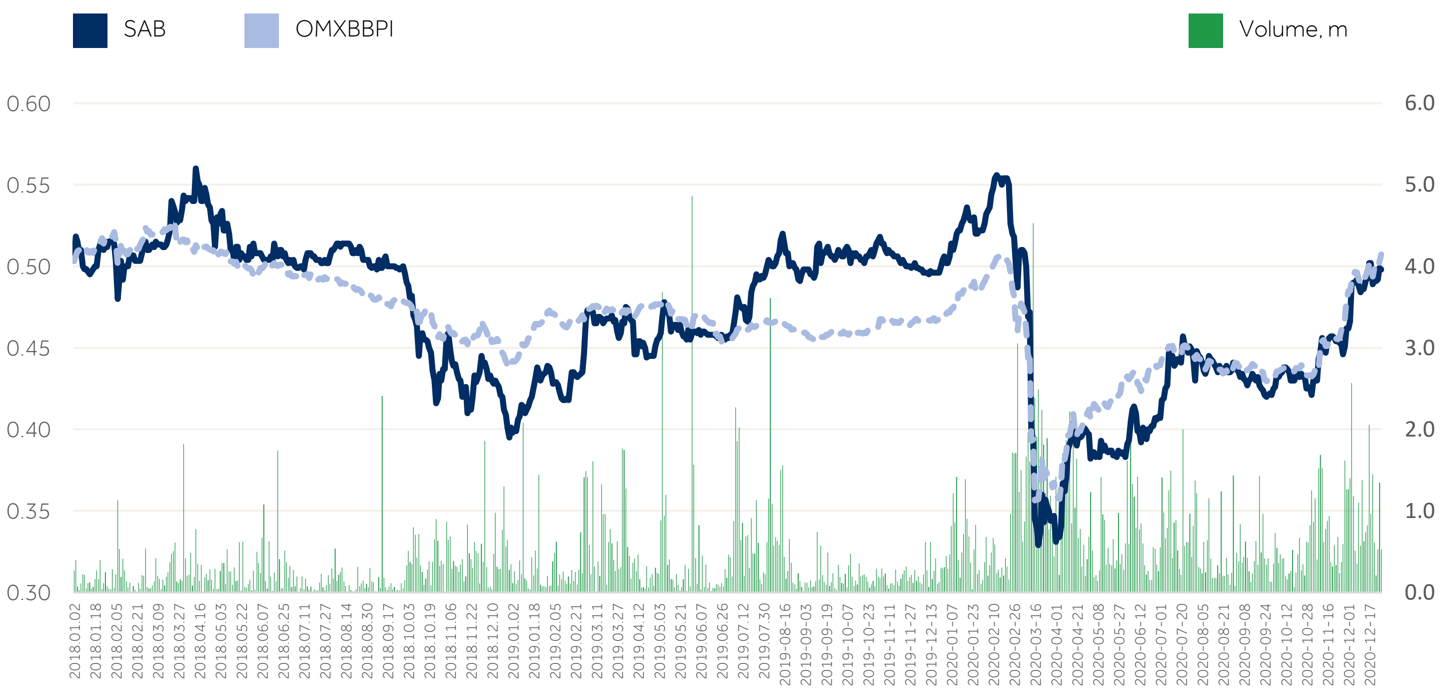
Shares are granted to employees whose activities involve significant risk under continuing Employee option agreements.

Information on shares:

	2016	2017	2018	2019	2020
Capitalization, m EUR	169.5	266.8	240.9	304.0	299.2
Turnover, m Eur	23.1	44.5	34.7	48.3	84.5
Share price on the last trading session day	0.449	0.589	0.401	0.506	0.498
Lowest share price during the reporting period	0.283	0.448	0.391	0.394	0.320
Highest share price during the reporting period	0.462	0.627	0.658	0.534	0.558
Average share price during the reporting period	0.351	0.530	0.521	0.473	0.442
Share book value	0.458	0.448	0.448	0.518	0.592
P/BV	1.0	1.3	0.9	1.0	0.8
P/E	3.9	8.3	4.6	5.9	7.0
Capital increase from retained earnings, %	20.0	20.0	-	-	-

* description of indicators is provided on the Bank's website: Homepage › Bank Investors › Financial Information › Alternative Performance Measures

Turnover and price of the Bank's shares 2018-2020:



The bank's shares are traded on a regulated market. They are traded on the Nasdaq Baltic market and the shares are listed on the Official List. The list includes all 600,726,263 ordinary registered shares of the Bank with a nominal value of EUR 0.29, with a total nominal value of EUR 174,210,616.27.

As one of the most traded stocks in the Baltic market, the Bank's shares are included in the following *Nasdaq* indices:

- *OMX Baltic Benchmark (OMXBBGI, OMXBBPI, OMXBBCAPGI, OMXBBCAPPI) - the Baltic benchmark index consists of the largest and most traded stocks on the Nasdaq Baltic Market representing all sectors;*
- *OMX Baltic 10 (OMXB10,) - is a tradable index of the Baltic states consisting of the 10 most actively traded stocks on the Baltic exchanges;*
- *OMX Baltic (OMXBGI, OMXBPI) – is an all-share index consisting of all the shares listed on the Main and Secondary lists of the Baltic exchanges with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;*
- *OMX Vilnius (OMXVGI) – is an all-share index which includes all the shares listed on the Main and Secondary lists on the Nasdaq Vilnius with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;*
- *OMX Baltic Financials (B30GI, B30PI) – an index of the Baltic financial institutions;*
- *OMX Baltic Banks (B3010GI, B3010PI)- an index of the Baltic banks.*

Return indices (RIs) represent the total return on the shares included in the index and reflect not only stock price movements but also the dividends paid, making these indices a more complete measure of market performance than price indices.

Price indices (PIs) only reflect changes in the price of shares included in the index, regardless of dividends.

There is a cap on the weight of the shares (CAP) forming indices of a limited number of shares above which the number of shares included in the index is reduced to a cap.

Besides, the Bank's shares are included into such indices as *STOXX Eastern Europe TMI, STOXX All Europe Total Market, STOXX Eastern Europe 300, STOXX EU Enlarged TMI, STOXX Eastern Europe 300 Banks, STOXX Eastern Europe Small 100, STOXX Eastern Europe TMI Small, STOXX Global Total Market, STOXX Lithuania Total Market.*

ACQUISITION OF OWN SHARES

In the period from 13 to 19 May 2020, the Bank repurchased its own shares on the Nasdaq Vilnius official offer market. During the meeting, 779,726 own shares were purchased for EUR 319,687.66 with the aim of granting shares to the employees of the Bank and the Bank's subsidiaries. On 22 May 2020, the Bank transferred the acquired shares to the employees of the Bank and the Bank's subsidiaries as a deferred part of the variable remuneration for 2016 and 2017.

The Bank and its subsidiaries, or persons acting on behalf of their subsidiaries, do not hold any shares in the Bank.

DIVIDENDS

2018, the Supervisory Council approved the dividend policy. Carrying out its activities and planning the capital the Bank seeks to ensure a competitive return on investment through dividends and increasing stock value. The Bank shall pay dividends on two assumptions - when external and internal capital and liquidity requirements will be sustained, and the level of capital after dividends will remain sufficient to carry out all approved investment and development plans and other capital-intensive activities. Taking into account the above-mentioned principles and assumptions, the Bank shall seek to allocate at least 25 per cent of the earned annual profit to dividends.

The General Meeting of Shareholders held on 31 March 2020 did not make a decision on the distribution of the Bank's profit, no dividends and tantiemes were paid in 2020. On 31 March 2020, submitting the resolutions of the General Meeting of Shareholders, the Bank's management submitted a comment stating: "The decision of the bank's shareholders not to approve the profit distribution, which envisages the payment of almost EUR 17 million in dividends, shows a strategic approach to focus on the long-term perspective. As a result of this decision of the shareholders, the capital reserve of Šiaulių Bankas above the minimum capital adequacy requirement will increase to more than EUR 160 million and will help the Bank to operate stably and successfully in the face of unfavourable economic conditions.

The draft resolutions (on the agenda of the General Meeting of Shareholders) approved at the meeting of the Board of the Bank held on 6 March 2020 were adopted on the terms of that day. At that time, information on COVID-19 risk was already available, but in the opinion of the Bank's Board, dividends from distributed profits could have been paid to the Bank's shareholders, ensuring continuity of dividend policy, stable Bank operations and safe performance of Bank risk indicators. In March, the bank's major shareholders and supervisory authorities were consulted on possible adjustments to the draft decisions to assess the growing risks to the economic situation.

After the uncertainty regarding economic development has decreased and the consequences of COVID-19 have been assessed, Šiaulių Bankas will continue to strive to follow the approved dividend policy in order to increase the value created for shareholders".

Information on the dividends paid:

	2015	2016	2017	2018	2019
Per cent from nominal value	0.69	1.72	1.72	10	-
Dividend amount per share, Eur	0.002	0.005	0.005	0.029	-
Dividend amount, Eur	629,147	1,887,442	2,264,938	17,421,064	-
Yields from dividends, %	0.7	1.1	0.8	6.2	-
Dividends to Group net profit, per cent	2.6	4.3	7.1	33.0	-

The description of alternative performance indicators is available on the Bank's website at:
Homepage › Bank Investors › Financial Information › Alternative Performance Measures.

AGREEMENTS WITH SECURITIES PUBLIC TRADING INTERMEDIARIES

Agreements with public circulation intermediaries regarding the accounting of securities issued by the Bank are, not concluded, this accounting is managed by the Bank's Securities Accounting Department. The Bank has not entered into market-making agreements with respect to securities issued by the Bank.

According to data as of 31 December 2020 the Bank itself, as an intermediary of public trading, under agreements with the companies issuing securities conducted accounting of 600 companies which totalled to 900 securities issues (including shares of public and private companies, debt securities, investment fund units). The Bank also conducts market making on the Nasdaq Baltic under a market making programme and under agreements with issuers. As of the end of 2020, the Bank was the market maker of 10 securities issues.

MANAGEMENT OF THE BANK

The Management Board bodies of the Bank are as follows: the General Meeting of the Shareholders of the Bank, Supervisory Council of the Bank, Management Board of the Bank and Chief Executive Officer (CEO).

The General Meeting of Shareholders shall be convened annually, at the latest within 3 months after the end of the financial year. The Board of the Bank, the Supervisory Council and the shareholders having at least 1/10 of all votes have the right to convene the Meeting. The General Meeting of Shareholders is organized, voting is carried out at it, decisions are made in accordance with the procedure established by the Law on Companies. More information on the rights of the General Meeting of Shareholders is provided in the annex "Governance Report" to the consolidated annual report for 2020.

The Supervisory Council of the Bank is a collegial body supervising the activities of the Bank. The Supervisory Council is chaired by the Chairperson. The Bank's Supervisory Council, consisting of seven members, is elected by the General Meeting of Shareholders for a term of four years. The members of the Supervisory Council are nominated for the meeting by the initiators of the meeting or shareholders holding 1/20 of the bank's shares. The Charter of the Bank provide that the number of terms of office of a member of the Supervisory Council is not limited.

The General Meeting of Shareholders held on 31 March 2020 elected the Bank's Supervisory Council for a new four-year term. The General Meeting of Shareholders approved amendments to the Bank's Charter according to which the Bank's Supervisory Council will consist of 8 members instead of 7, as before. The Chairman and members of the Supervisory Council of the Bank elected at the meeting:

- Chairman - Arvydas Salda;
- Members – Gintaras Kateiva, Darius Šulnis, Miha Košak, Martynas Česnavičius, Ramunė Vilija Zabulienė and Adriano Arietti.

The decision of the Meeting stipulates that the persons elected to the Bank's Supervisory Council for the first time will take up the duties of the members of the Council only with the permission of the supervisory authority. On 2 June 2020, the European Central Bank (ECB) received a notification that the Governing Council of the ECB had decided not to oppose the appointment of Adriano Arietti as a member of the Bank's Supervisory Council. Adriano Arietti is considered to be a member of the Supervisory Council of the Bank from 3 June 2020.

Susan Gail Buyske was elected to the Bank's Supervisory Council at the Extraordinary General Meeting of Shareholders held on 10 June 2020. On 31 July 2020, the Bank received a notification from the ECB that the Governing Council of the ECB had decided not to oppose the appointment of Susan Gail Buyske as a member of the Bank's Supervisory Board. Susan Gail Buyske is considered to be a member of the Supervisory Council of the Bank from 31 July 2020.

The Bank's Supervisory Council (elected on 31 March 2020, the term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024) currently consists of 8 members, 5 of whom are independent. More information on the functions of the Supervisory Council is provided in the annex "Governance Report" to the consolidated annual report for 2020.

Supervisory Council of the Bank

Name, Surname	*Duties at the Supervisory Council*	*Other current leading positions*	*Share of capital under the right of ownership, % (31/12/2020)*	*Share of votes together with the related persons, % (31/12/2020)*
Arvydas Salda	Chairman since 1999	**Klaipėda free economic zone management** company UAB 110707092 Pramonės str. 8, Klaipėda (Board member)	1.73	1.73
Gintaras Kateiva	Member since 2008	**Litagra UAB** 304564478 Savanorių pr. 173, Vilnius (Chairman of the Board)	5.27	5.29*
Ramunė Vilija Zabulienė	Independent members since 2012	**Ars Domina VšĮ** 302897128 P. Vileišio str. 9-41, Vilnius (Director); **Lewben Art Foundation VšĮ** 302969378 Antano Tumėno str. 4, Vilnius (Board member)	-	-
Darius Šulnis	Member since 2016	**Invalda INVL** AB 121304349 Gynėjų str. 14, Vilnius (President, Board member); **INVL Asset Management UAB** 126263073 Gynėjų str. 14, Vilnius (Chairman of the Board), **Litagra UAB** 304564478 Savanorių pr. 173, Vilnius (Board member); **INVL Asset Management UAB** 303299781 Gynėjų str. 14, Vilnius (Chairman of the Board),	-	-
Martynas Česnavičius	Independent member since 2016	**D Investicijų valdymas UAB** 302937334 Odminių str. 8, Vilnius (Directors, Board member); Board member in other companies: Baltic Mill AB, Malsena Plius UAB , AS Rigas Dzirnavnieks (Latvia), Balti Veski (Estonia), Amber Trust Manageent S.A (Luxembourg), Amber Trust II Manageent S.A (Luxembourg), KJK Management S.A (Luxembourg), KJK Investment S.a.r.l (Luxembourg), KJK Capital OY (Finland), KJK Investicije 0-8 (Slovenia), Leader 96 Eood (Bulgaria), KJK Sports (Luxembourg)	-	0.35**
Miha Košak	Independent member since 2017	-	-	-
Adriano Arietti	Independent member since 2020	-	-	-
Susan Gail Buyske	Independent members since 2020	-	-	-

* Pursuant to the Law on Securities of the Republic of Lithuania, votes are counted together with the votes held by the spouse.

** Votes are counted together with PRO Finance UAB, company code 110886161 - 0.35%.

The Board of the Bank is a collegial management body of the Bank consisting of 7 members. It manages the Bank, manages its affairs and is responsible for the execution of the Bank's financial services in accordance with the law. The rules of procedure of the Board shall determine the Rules of Procedure of the Board. The Management Board of the Bank is elected for four years. The members of the Board are elected, recalled and supervised by the Bank's Supervisory Council. The term of office of the Board shall be four years and the number of terms is not limited. If individual members of the Board are elected, they are elected until the end of the term of office of the existing Board.

The newly elected Supervisory Council of the Bank elected the members of the Board of the Bank at its first meeting on 31 March 2020. At its first meeting, the Board elected the Chairman and Deputies of the Board. Jonas Bartkus, a member of the Board, was replaced by Mindaugas Rudys, Head of the Service Development Division of Šiaulių Bankas.

- Chairman of the Management Board – Algirdas Butkus.
- Deputy Chairmen of the Board – Vytautas Sinius, Donatas Savickas.
- Members – Daiva Šorienė, Vita Urbonienė, Ilona Baranauskienė and Mindaugas Rudys.

The Board of the Bank was elected on 31 March 2020, the term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024. More information on the functions of the Board is provided in the annex "Governance Report" to the consolidated annual report for 2020.

Board of the Bank

Name, Surname	*Duties at the Board*	*Other current leading positions at the Bank*	*Share of capital under the right of ownership, % (31/12/2020)*	*Share of votes together with the related persons, % (31/12/2020)*
Algirdas Butkus	Chairman since 1999	Deputy Chief Executive Officer	2.43	5.36*
Vytautas Sinius	Deputy Chairman since 2014	Chief Executive Officer	0.20	0.20
Donatas Savickas	Deputy Chairman since 1995	Deputy Chief Executive Officer, Head of Finance and Risk Management Division	0.10	0.10
Daiva Šorienė	Members since 2005	Deputy Chief Executive Officer, Head of Sales and Marketing Division	0.01	0.01
Vita Urbonienė	Members since 2011	Chief Accountant, Head of Accounting and Tax Division	0.04	0.04
Mindaugas Rudys	Member since 2020	Head of Service Development Division	0.03	0.03
Ilona Baranauskienė	Members since 2014.	Head of Legal and Administration Division	0.01	0.01

* Pursuant to the Law on Securities of the Republic of Lithuania, votes are counted together with controlled companies: Prekybos namai AIVA UAB, company code 144031190 - 2.03%, Mintaka UAB, company code 144725916 - 0.90%

THE COMMITTEES FORMED WITHIN THE BANK, AREAS OF THEIR ACTIVITIES

Functions, procedures of formation and the policy of activities of the bank's committees are defined by the legal acts of the Republic of Lithuania, legal acts of the Bank of Lithuania as well as provisions of the certain committees approved by the Management Board or Supervisory Council of the Bank.

COMMITTEES UNDER AUTHORITY OF THE BANK'S SUPERVISORY COUNCIL

Information on the committee members as of 31 December 2020:

The Risk Committee advises the management bodies of the Bank on the overall current and future risk acceptable to the Bank and strategy and assist in overseeing the implementation of the strategy at the Bank, verifies whether prices of liabilities and assets offered to clients take fully into account the Bank's business model and risk strategy and shall also carries out other functions provided for in its provisions.

	Name, surname	
Chairman	Miha Košak	Member of the Supervisory Council
Members:	Adriano Arietti	Member of the Supervisory Council
	Darius Šulnis	Member of the Supervisory Council
	Ramunė Vilija Zabulienė	Member of the Supervisory Council

The Internal Audit Committee monitors and discusses the process of financial statement preparation, the efficiency of the Bank's internal control, risk management and internal audit systems, the processes of the audit and internal audit performance on regular basis and performs other functions foreseen by the legal acts of the supervisory authority and provisions of the Internal Audit Committee. Following the laws and legal act of the supervisory authority the composition, competences and arrangement of activities of the internal Audit Committee are formed and controlled by the Bank's Supervisory Council.

	Name, surname	
Chairman	Ramunė Vilija Zabulienė	Member of the Supervisory Council
Members:	Martynas Česnavičius	Member of the Supervisory Council
	Susan Gail Buyske	Member of the Supervisory Council

The Nomination Committee nominates candidates to fill management body vacancies and recommends, for the approval of the management bodies of the bank or for approval of the general meeting of shareholders, evaluates the balance of skills, knowledge and experience of the management body of the Bank, submits comments and findings related to the matter, assesses the structure, size , composition, operating results of the Bank's bodies and carries out other functions provided for in its provisions.

	Name, surname	
Chairman	Martynas Česnavičius	Member of the Supervisory Council
Members:	Darius Šulnis	Member of the Supervisory Council
	Miha Košak	Member of the Supervisory Council

The Remuneration Committee evaluates the variable remuneration policies, practices and incentives developed to manage the risk, capital and liquidity of the Bank, supervises the variable remuneration of senior executives responsible for risk management and compliance, drafts variable remuneration decisions and performs other functions set forth in its policies.

	Name, surname	
Chairman	Martynas Česnavičius	Member of the Supervisory Council
Members:	Gintaras Kateiva	Member of the Supervisory Council
	Ramunė Vilija Zabulienė	Member of the Supervisory Council

COMIMITTEES UNDER AUTHORITY OF THE BANK'S MANAGEMENT BOARD:

Information on the committee members as of 31 December 2020:

The Loan Committee evaluates loan granting material / documents and loan risk, approves / rejects lending decisions and / or amendments to terms and conditions, suggests regarding loan granting, loan interest rates, improvement of loan administration procedures and performs other functions foreseen by its provisions.

	Name, surname	Position
Chairman	Edas Mirijauskas	Director of Credit Department
Deputy	Diana Leonavičienė	Director of Regional Lending Unit
Members:	Vytautas Sinius	Chief Executive Officer
	Donatas Savickas	Head of Finance and Risk Management Division
	Daiva Šorienė	Head of Sales and Marketing Division
	Ramūnas Dešukas	Director of the Special Assets Department
	Aurelija Geležiūnė	Director of the Legal Department

The Risk Management Committee performs functions related to the organization, coordination and control of the Bank's risk management system, determines and controls risk measurement indicators corresponding to the risk appetite acceptable to the Bank, as well as performs other functions provided for in its regulations:

	Name, surname	Position
Chairman	Donatas Savickas	Head of Finance and Risk Management Division
Deputy	Algimantas Gaulia	Director of Risk Management and Reporting Department
Members:	Pranas Gedgaudas	Deputy Director of Markets and Treasury Department
	Edas Mirijauskas	Director of Credit Department
	Morena Liachauskienė	Director of Operational Risk Department
	Mindaugas Vingilis	IT security officer

INTERNAL CONTROL ASSESSMENT

Internal control shall ensure legitimacy, economy, efficiency, effectiveness and transparency of the Bank's activities, implementation of strategic and other activity plans, protection of assets, reliability and comprehensiveness of information and reports in line with the fulfilment of contractual and other obligations to third parties and management of risk factors related to the aforementioned activities.

The Bank's internal control system is an integral and continuous process in its day-to-day activities arranged applying the three lines of defence approach. At the required level each employee is responsible of the Bank's internal control processes and each employee is involved in the internal control system and may affect it.

It should be noted that this year the Bank carried out an evaluation of the efficiency and proper independence of three lines of defence. The results of this analysis were presented to the Bank's management, and measures were envisaged, including additional recruitment and structural changes in the second line of defence. Improving the efficiency of the Bank's day-to-day operational risk management will remain one of the most important priorities of the Bank's operations next year as well.

The Bank Group's internal control system and assessment of the internal risk management is performed by the Bank's Internal Audit Division. This Division shall inform the Bank's Internal Audit Committee and the Board of the Bank of any deficiencies or irregularities noted.

EXTERNAL AUDIT

In 2020, the Bank was audited by KPMG Baltics UAB (company address: Konstitucijos pr. 29, LT-08105 Vilnius, tel. (8 5) 2102 600, fax (8 5) 2012 659, the company was registered on June 24, 1994, company code 111494971).

In 2019, the Bank was audited by PricewaterhouseCoopers UAB (company address: J Jasinskio str. 16B, 01112 Vilnius, tel. (8 5) 2392 300, fax (8 5) 2392 301, the company was registered on 29 December 1993, company code 111473315).

These audit companies were selected after the Board of the Bank interviewed other international audit companies and considered their proposals. When choosing an audit company, reputation risk, price of services, other factors are considered.

The General Meeting of Shareholders of the Bank held on 29 March 2018 adopted a resolution to elect PricewaterhouseCoopers UAB to audit the consolidated annual financial statements of the Bank for 2018 and 2019 and the consolidated annual report.

The General Meeting of Shareholders of the Bank held on 31 March 2020 adopted a resolution to elect KPMG Baltics UAB for auditing the consolidated annual financial statements of the Bank for 2020 and 2021 and the consolidated annual report.

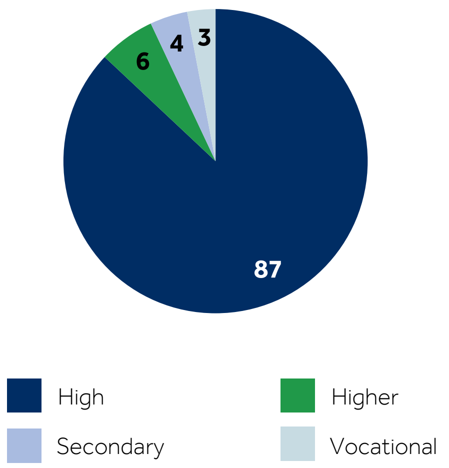
EUR thou (excluding VAT costs)		*Group*		*The Bank*
	2019	2020	2019	2020
Contractual auditing of financial statements	86	83	51	58
Cost for assurance and other related services	-	-	-	-
Costs for tax advice issues	-	-	-	-
Costs for other services	1	2	1	-
Total	**87**	**85**	**52**	**58**

EMPLOYEES

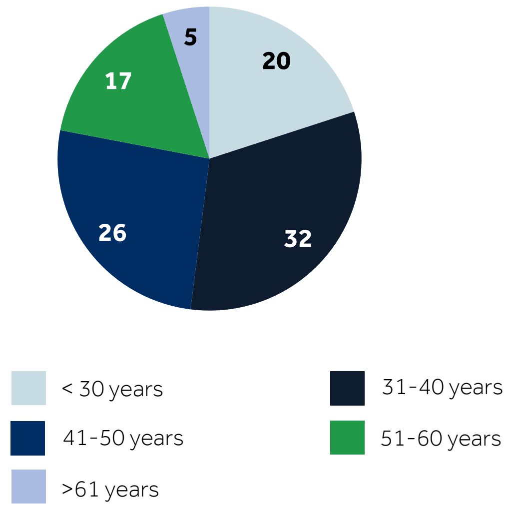
As on 31 December 2020, **the Bank** had 756 employees and **the Group** had 849 employees. Compared to 31 December 2019, the number of employees in the Bank increased by 2.6 %, and the number of employees in the Group increased by 2.2 %.

As on 31 December 2020, **the Group** had 80 percent female and 20 percent male employees. The number of employees is given including those in maternity and parental leave.

Distribution of group employees by education, per cent.



Distribution of group employees by age, per cent



Personnel strategy

The personnel management strategy is focused on the implementation of the Group's long-term goals in order to attract and retain efficiently working employees, develop and raise their level of expertise, motivate and involve in the Group's activities, forming a culture of achieving high results.

Employee relations

The Bank maintains long-term employment relationships with its employees. As on 31 December 2020, 31 % of the Bank's employees had worked for 10 years or more.

In 2020, the total turnover of employees in the Bank was 11 % (in 2019 it was 13.8 %).

For loyalty to the Bank, employees are encouraged to receive cash bonuses every five years in accordance with a special loyalty program approved by the Bank.

The Bank has a Labour Council, the members of which are 9 employees of the Bank.

Performance evaluation

Once a year, the Bank conducts a formal discussion and evaluation of the employees' annual activities. During these interviews, the managers discuss with their employees and evaluate the results of achieving the annual goals, implemented projects, competencies, identifying strengths and areas for development, agreeing on specific educational measures, career opportunities. The conversation encourages the sharing of mutual feedback by strengthening open and value-based communication and collaboration. In order for each employee to feel that their work contributes to and influences the overall results of the Bank and that everyone's efforts are directed in one direction, during the interview, annual goals are set by agreement between the manager and the employee, which will contribute to the overall performance of the Bank.

The Bank also organizes semi-annual activity discussion interviews to discuss the status of the annual targets, to anticipate additional measures and actions to achieve them as needed. In 2020, an updated competency model was introduced in the performance evaluation.

Involvement

In 2020, the Bank conducted an anonymous comprehensive involvement survey with the help of an external partner, the main objectives of which were:

- to obtain employees' opinions about the organization's strengths and areas for development;
- based on the obtained research results, to refine the priority areas of the organization to be improved and to prepare an action plan for their improvement;
- to target human and financial resources;
- after refining the strengths, to develop the image of the employer first internally and then externally;
- to identify the percentage of people involved, who are in the middle and who are not involved in the organization.

The survey questionnaire consisted of 65 questions; the survey was completed by 94 percent of the bank's employees. The results were presented to managers and all employees. Areas for development of the Bank as an organization were identified and strengths were refined. Based on the results of the research, the Bank's action plan for 2021 is being prepared, i.e. what and how we need to change, develop what traditions to maintain in order to strengthen positive, feedback-based mutual communication and cooperation. It is planned to repeat the involvement survey every year.

Covid-19 pandemic management

In 2020, various measures had to be taken to ensure the smooth and rapid transfer of employees to telework, providing them with the necessary means, trying to ensure their good physical and emotional condition.

Throughout the year, since mid-March, we have paid great attention to the organization of work and the regulation of employee flows in the Bank's divisions with the aim of maximally protecting our employees and customers. We used various methods: team rotations, it was strongly recommended not to communicate with colleagues of different floors, lunch schedules were made in shared kitchens, business trips (or visits to other units) were restricted, and so on.

At the beginning of the year, we started to take care of the purchase of personal protective equipment. We fully provide all employees with face protection (medical masks, FFP2 respirators), disposable gloves. At the customer service points, we provided them with disposable medical masks according to the customer's needs, as well as provided the possibility to disinfect their hands in places available in all departments. Additional disinfection of frequently touched surfaces was also started, additional protective glass was ordered in customer service areas, and all units were equipped with non-contact thermometers for employee health monitoring.

In order to increase the dissemination of communication related to Covid-19, the main communication channel has been developed to manage this extraordinary situation. A separate section has been created on the Bank's intranet, where all detailed information is constantly updated and provided: Covid-19 prevention, work organization, identified cases of coronavirus in the Bank, recommendations for safe work at home, decisions and changes made by the Government and other relevant information.

The establishment of the Covid-19 working group has been initiated. The members of the group follow the principles of cooperation and according to the responsibilities of each member provide general suggestions, recommendations on the organization of work during the pandemic (including, but not limited to security measures, communication, work tools, etc.) to the relevant decision-making managers and / or bodies.

As soon as the pandemic situation started we ensured the acceptance of customer documents by e-channels and the signing of contracts remotely.

During the year, the Bank acquired a large number of laptops in order to ensure that all employees of the Centre and part of the network units can perform work functions from home.

We also conducted a survey of employees to find out how they are doing at home, what are the biggest challenges they face. After evaluating the results of the survey:

- we offered employees to participate in the lecture "Stress Management in Everyday Life and Emergencies";
- shared tips on how to increase physical activity, be able to separate personal space from work space;
- created rituals to maintain relationships with colleagues;
- provided various links to leisure, such as e.g. virtual museums, galleries, etc.;
- provided exclusive offers of the bank's partners (internet, furniture, coffee suppliers, etc.).

When the case of coranavirus is detected in the Bank's employees, each sick employee is communicated individually. The employee's condition is constantly asked. Information is provided on the epidemiological study, how to proceed in case of a positive test result, etc.

Rules and instructions have been developed to ensure business continuity during the pandemic:

- Telework rules;
- Rules for organizing work in the bank to reduce the risk of Covid-19 infection;
- Instruction in case of suspicion or detection of Covid-19 virus in Šiaulių bankas AB;
- Updated Emergency Management Plan ("Dangerous or Extremely Dangerous Communicable Diseases" were included after assessment of potential risks).

Organizational structure

The Bank and the Group constantly strive to work efficiently, respond flexibly to changes and needs in the external environment, to implement the Bank's strategic directions of activities so that the organizational structure meets business needs as much as possible, ensures optimal organization of activities, process efficiency and employee competence.

In 2020, in order to make the Bank's operations more efficient, the following structural changes were implemented in the Bank's divisions:

- merging day-to-day and digital services units to ensure faster digitization and development of products and be closer to the customer, optimize common functions, concentrate product and digital channel system change management in one place, provide more effective support to customers and Bank employees, plan more efficiently and ensure compliance with regulatory and market changes, apply new project management methods, develop competencies in individual areas and specialize in solving certain issues by concentrating the competencies of product owners and specialists;
- taking into account the Bank's strategic priorities, striving to streamline the Bank's operations, the Bank's supervisory authority changed since 2020, constantly growing and tightening legal and regulatory requirements for institutions operating in the financial sector, the Bank has a separate credit risk management and control function;
- in order to increase the efficiency of the Bank's activities in the field of money laundering prevention, compliance and prevention functions have been separated into separate divisions. In order to strengthen the area of compliance, ensure the rotation of employees performing functions, systematic monitoring of compliance in the Bank, enabling timely and accurate identification of weaknesses and taking of risk mitigation measures, compliance function was concentrated, areas of activity not covered by the practice in the surplus and non-compliance function were transferred to other divisions of the Bank;
- in order to strengthen and streamline the Bank's customer service, a customer experience management unit was established. The contact centre has been renamed into the Remote Customer Service Centre, linking the name of the department to the functions performed remotely for customers

Employee training

The 2020 and the global pandemic have brought changes in education plans. We managed to implement some of the planned educational programs live at the beginning of the year, during the summer. The other part of the training moved to the virtual space.

All new employees of the Bank participate in the two-day "Newcomers' Day" event, where representatives of the Bank from different fields share their professional experience, introduce new colleagues to the Bank's structure, functions of departments, present the Bank's services, products, processes and ongoing projects. During the "Newcomers' Days", we play a game of the Bank's values and in practical situations we get acquainted with the values cherished by the Bank. More than a hundred employees attended the rookie days.

At the beginning of 2020, the heads of the Bank's headquarters and project managers participated in process management training. An informal process management group has been established in the Bank. The aim of all this is to implement a process management methodology in the Bank, which would become a standard to understand the benefits of process management, methods that can be applied, evaluation of change results, realization of changes in key areas of the Bank's internal operations and customer-related processes, ensure its continuity and sustainability. For the same purpose, the project management system was audited together with an external partner, the available tools and process, their optimization possibilities, updated project preparation and management procedures were assessed, and project management competencies were further strengthened during theoretical and practical training.

In 2020, we set ourselves the goal of paying special attention to regulatory requirements. We have developed an educational plan to strengthen knowledge in the field of prevention of money laundering and terrorist financing. The knowledge of all employees of the Bank about the money laundering and terrorist financing prevention measures applied by the Bank, compliance requirements for the Bank in this area, and international financial sanctions are periodically updated. We paid additional attention to updating the knowledge of colleagues who are directly involved in customer service, organized distance learning, after which they consolidated their knowledge by solving prepared tests.

As every year, we strengthened the leadership skills of the Bank's top management. Taking into account the experience of the Bank's management and the abundance of leadership, management and personal effectiveness training, management meetings were organized as a reflective practice, during which participants raise the operational concerns that concern them and take responsibility to deal with them.

Classes are organized in the form of group supervision, where each participant is given individual attention using the group as a learning resource.

In 2020, the unique program “Financing Solutions Forum” organized by the Bank was continued, aimed at strengthening the functional and general competencies of lending specialists. The final conference of the forum took place virtually this year, the speakers were filmed and the live broadcast could be watched by all employees of the Bank. The conference focused on the most important geopolitical challenges for Lithuania and the world, the impact of the Covid-19 pandemic on the economy, the management of the customer experience and the fundamental technological changes affecting it, the quality of processes, etc.

As 2020 brought a number of challenges for managers at all levels, we organized remote sessions on the role of the manager, how to mobilize teams in times of uncertainty, management of meetings and discussions remotely, delegation of tasks, effectively working remotely.

By strengthening the motivation and skills of the Bank's employees to work remotely, we created opportunities for employees to participate in remote sessions: arrangement of teleworking, long-term motivation. We organized internal training on MS Teams capabilities and use for work functions (in 2020 the Bank started using Microsoft products).

In 2020, the Bank continued the tradition of organizing in-house lecturers' training on the sales and work organization topics in live and remote meetings.

The staff of the Bank's headquarters and network units raised their competence by participating in external conferences and seminars.

Practice opportunities

In 2020, the Bank continued cooperation with Lithuanian higher education institutions, providing opportunities for students to do a wide range of internships at the Bank, even in the context of a pandemic.

In 2020, 36 students completed compulsory or voluntary internships in various branches of the Bank.

Students had the opportunity to do internships in various departments of the Bank, gain practical work experience and establish professional contacts important for their future careers.

Employee motivation

The majority of the Group's employees may be granted quarterly and / or annual bonuses, paid in cash, for the implementation of the unit's personal goals. Employees may also be encouraged with one-time bonuses for exceptional results, participation in projects significant for the Bank, etc.

The annual variable remuneration in cash and shares of the Bank may be granted only to the Designated Employees. Designated employees are the managers and members of the Board of the Bank and part of the Group companies, as well as other employees of the Bank and the Group companies whose professional activities have a significant impact on the Bank's and the Group's risk profile and therefore such employees are considered to be recipients of annual variable remuneration in accordance with the applicable legal acts of the Republic of Lithuania and the European Union and the Bank's internal documents. For more information on the Remuneration of Designated Employees, see the *Remuneration Policy* section of this report.

In 2020, the Bank, as a socially responsible employer, provided health insurance to all employees who went through the probationary period and returned after raising a child. Health insurance is one of the most relevant additional motivational measures. It enables insured employees to access health-related services more quickly, such as treatment in selected health care facilities, visits to medical specialists, various tests, purchase of medicines, and access to other health promotion services.

Group employees have the opportunity to accumulate additional pension in exceptional circumstances, when part of the contribution is paid by the employee, part is paid by the employer. The long-term incentive program "Let's accumulate together" has been prepared together with the Bank's subsidiary Life Insurance SB draudimas UAB, in which more than 30% of employees participate.

Other additional benefits provided to the Bank's employees, which are also not based on the employee's performance:

- remote work;
- flexible start of working hours;
- additional leave according to the position for employees of certain management positions and for uninterrupted work experience;
- paid study leave;
- one-time bonuses on the occasion of personal holidays and events significant for the Bank;
- one-time benefits in the event of the death of a member of the employee's family, the occurrence of a major accident, the diagnosis of a critical illness, etc.;
- payment for the first 2 days of the employee's incapacity for work;
- free flu vaccines and other discounts provided by the Bank's partners;
- team building events;
- opportunity to participate in interbank and other tournaments in various sports.

REMUNERATION POLICY

The information has been prepared and provided in accordance with the Description of the Minimum Remuneration Policy Requirements for the Employees of Credit Institutions and Financial Brokerage Firms, Article 450 of Regulation (EU) No 575/2013 of the European Parliament and of the Council, the Bank's Articles of Association, decisions of the Supervisory Council and the Board, and other legal acts regulating the requirements for the Remuneration Policy of the Bank as a financial institution and a public limited liability company whose shares are admitted to trading on a regulated market.

Information relating to the decision-making process for determining the remuneration policy and the number of meetings of the central body supervising remuneration during the financial year

The Remuneration Policy for 2020 was reviewed and updated within the terms and procedure established by legal acts. The remuneration policy is addressed and applied to the Bank and the Group companies. The remuneration policy was submitted to the Board of the Bank and the Remuneration Committee for consideration. The remuneration policy was been submitted to the Bank's Supervisory Council and the General Meeting of Shareholders for approval. The Remuneration Policy came into force upon its approval by the General Meeting of Shareholders of the Bank on 31 March 2020. The approved Remuneration Policy is publicly announced on the Bank's website.

The Bank's Supervisory Council is responsible for setting the principles of the Remuneration Policy and the models of the Remuneration System, for periodic review of the Remuneration Policy in the Bank, and the Board for the implementation of the Remuneration Policy. The Bank's Internal Audit Service regularly inspects the implementation of the Remuneration Policy principles by conducting annual internal audits of the Remuneration Policy.

External consultants have been consulted in the development of this Remuneration Policy.

The Bank has established and operates a Remuneration Committee, which competently and independently assesses the variable remuneration policy, practice and ensures that the remuneration system takes into account all risks, capital and liquidity and is consistent with sound and effective risk management and the Bank's or Group's business strategy, aims, long-term continuing operation interests. The composition, formation, functions, rights and responsibilities of the Remuneration Committee are provided for in the Regulations of the Remuneration Committee approved by the Bank's Supervisory Council. The composition of the Remuneration Committee is approved by the Bank's Supervisory Council, the list of members and functions of the Committee are presented in the section of this report *The committees formed within the Bank*. In 2020, 4 (four) meetings of the Remuneration Committee were held.

Information on the relationship between remuneration and performance

The remuneration system is a set of elements of the remuneration package that the Group uses to attract, motivate and retain the best employees, who would help to achieve the Group's long-term goals, business strategy.

The Bank and the Group companies apply fixed remuneration and variable remuneration.

The fixed remuneration forms the main part of the Remuneration. Competence, experience, qualifications, specific knowledge, market trends, internal justice, etc. are taken into account when determining the remuneration of a particular employee. Additional benefits apply without taking into account the individual performance of employees, without providing an incentive to take risks. The additional benefits are based on pre-defined criteria.

Variable remuneration is paid to link employees' individual performance objectives with the long-term interests of the Group, to ensure sustainable business development, to encourage employees to act honestly, fairly, transparently and professionally, taking into account the rights and interests of customers.

The amount of variable remuneration is based on an overall assessment of the employee's, division's and the Group's performance. The variable remuneration granted to an employee may also depend on the position held by the employee and the importance of decision-making, which may have a significant impact on the risk assumed by the Group. When evaluating an individual's annual goals and achievements, not only the achieved personal financial result is taken into account but also the non-financial / non-quantitative contribution (e.g. relations with customer, colleagues, compliance with standards, compliance with the requirements set out in the internal documents, initiative, responsibility, performance improvement, etc.).

The principles for calculating variable remuneration are designed to be in line with the Group's business strategy, objectives, values, long-term business interests and promote sound and effective risk management, help avoiding conflicts of interest, ensure compliance with the Code of Ethics and discourage employees from taking excessive risks unacceptable to the Group, also ensure the principles of protection of investors and customers in the provision of services by the Group and would not harm the interests of customers.

The variable remuneration fund is established only after assessing the Bank's performance, taking into account current and future risks, capital employed and liquidity maintenance costs. The variable remuneration fund and its size must not limit the Group's ability to strengthen its capital base.

Remuneration policy aims to promote responsible business, fair treatment of customers and avoid conflicts of interest in relations with customers, so that forms of monetary and / or non-monetary remuneration do not become an incentive for employees to satisfy their own, the Bank's or any other Group company's interests.

Key features of the remuneration system structure, including information on the criteria used to measure performance and risk adjustment, deferral policy and award criteria. Fixed to variable remuneration ratio

The Bank and the Group companies apply a fixed remuneration and a variable remuneration (components of remuneration) depending on their size, the nature and extent of the operations performed and the complexity of the activities and the risks assumed:

- Fixed remuneration to employees consists of (i) official remuneration and (ii) extra benefits;
- The fixed remuneration of the non-employee members of the Bank's Supervisory Council consists of (i) official remuneration and (ii) bonus to official remuneration;
- Variable remuneration includes (i) annual variable remuneration, (ii) bonuses, (iii) one-time bonuses.

Detailed information on the components of the remuneration in the Bank and the Group companies is provided in the Bank's Remuneration Policy, which is published on the Bank's websit.

Variable remuneration may be granted to all employees, maintaining an appropriate balance between the ratio of fixed and variable remuneration components, and the possibility to pursue a flexible policy related to variable remuneration components, i.e. the variable remuneration granted during 1 (one) calendar year may not exceed 100% of the amount of the fixed remuneration elements received in the same 1 (one) calendar year for which the variable remuneration was granted in order to promote sound and effective risk management, except in cases when the Bank's general shareholders meeting increases the maximum ratio of variable to fixed remuneration to 200 per cent in accordance with the requirements of legal acts.

The actual ratio of variable remuneration to fixed remuneration in the Group is calculated by adding together all the variable remuneration components allocated for a certain period and dividing their amount by the sum of the fixed remuneration elements allocated during the same period.

In accordance with the Bank's Remuneration Policy, the official remuneration and bonus at the official remuneration for the members of the Bank's Supervisory Council are paid regardless of the member's status, age, citizenship, experience:

- official remuneration for the member of the Bank's Supervisory Council: annual cash remuneration paid to a member of the Supervisory Council for the performance of the functions of a member of the Supervisory Council, which is EUR 50,000 (before applicable taxes) and paid pro rata monthly, quarterly or at other intervals as specified in the agreement between the Bank and the member of the Supervisory Council;
- bonus at the official remuneration for the member of the Bank's Supervisory Council: cash bonus paid for the performance of additional functions while holding the position of a member of the Council. The annual bonus to the remuneration of a member of the Supervisory Council for the position of the Chairman of the Supervisory Council shall be 200% of the annual remuneration. The annual bonus for a member of the Supervisory Council for the position of the Chairman of the Committee shall be 25% of the annual salary. The annual bonus for a member of the Supervisory Council for the position of a member of the Committee shall be 15% of the annual remuneration. The annual bonus to the remuneration of a member of the Supervisory Council shall be paid in proportion for the previous month, quarter or other periodicity, as determined in the agreement between the Bank and the member of the Supervisory Council.

The annual amount of the remuneration and the percentage of bonuses to the remuneration paid to a member of the Supervisory Council for the entire term of office shall be approved by the General Meeting of Shareholders of the Bank approving the Remuneration Policy of the Bank.

There is no variable remuneration for the members of the Supervisory Council.

In accordance with the Bank's Remuneration Policy, the annual variable remuneration may be granted only to the Designated Employees. Designated employees are the managers and members of the Management Board of the Bank and part of the Group companies, as well as other employees of the Bank and Group companies determined in accordance with the qualitative and quantitative criteria specified in Commission Delegated Regulation (EU) No 604/2014) and additional Group criteria (if appropriate) which identify the categories of employees whose professional activities have a significant impact on the risk profile of the institution (Group).

The annual variable remuneration may be granted, paid and / or awarded only if the Bank is in a sustainable financial position and without violating the requirements of legal acts. The annual variable remuneration must be reduced or not paid if the Group's performance does not meet the indicators set out in the strategy or the activity is unprofitable, the Designated Employee acted dishonestly or his / her activity resulted in a loss of the Bank or a Group company.

The allocation of variable remuneration to employees performing risk management, compliance and internal audit functions does not take into account the performance of the units under their control.

The annual variable remuneration is divided into two equal parts:

- the immediately payable portion of 50 percent of the total allocated annual variable remuneration is paid in cash;
- the deferred portion, which consists of 50 percent of the total allocated annual variable remuneration, is allocated in the Bank's shares. The granting of this part of the remuneration is deferred for a period of 3 years from the date of granting the annual variable remuneration until the date of granting the deferred part, taking into account the possible risks related to the employee's annual evaluation results. The deferred portion is approved annually for the Designated Employee in proportion to the percentage of achievement of its objectives or the approval is not performed (when the objectives are not achieved, i.e. the qualitative criterion is not met), even if the Bank's financial performance is achieved. If the designated employee or the Bank exceeds the set goals, the allocated deferred part may not be increased, except for Ex-post adjustments related to share events or tax changes. Ex-post risk adjustments and Ex-post adjustments related to the activities of the Designated Employee may be sufficient grounds for making adjustments to the deferred portion allocated to a particular Designated Employee (by reducing or not paying at all).

Quantitative and qualitative criteria are used to assess the achievement of the annual targets. Not only the level of achievement of the personal goals set by the employee, the financial results of the unit and the Bank, are taken into account but also the non-financial (qualitative) contribution, i.e. relations with customers, colleagues, compliance with standards, internal rules, policies and procedures, compliance with requirements, initiative, responsibility, adherence to the Bank's values, improvement of operations, etc.

Variable remuneration payments related to termination of employment contract are determined based on the employee's performance during the period specified by the Bank or the Group company and in such a way that the employee is not remunerated if his/her activities resulted in a loss to the Bank or Group company, except for statutory benefits. The possibility of recovering the variable remuneration paid to the employee is not determined.

Information on the performance evaluation criteria on which the right to shares, options or variable remuneration components is based. The main criteria and reasons for the variable remuneration component system and other non-monetary benefits

Deferred annual variable remuneration payment is applied in the Group only to Designated Employees whose professional activities have a significant impact on the risk profile of the institution (the Group). The annual variable remuneration, including the immediate part and the deferred part, may be paid and / or granted only if the Bank is in a sustainable financial position and without prejudice to legal requirements. The annual variable remuneration must be reduced or paid free of charge if the Group's performance does not meet the indicators set out in the strategy or the activity is unprofitable, the Designated Employee has acted dishonestly or his / her activities have resulted in a loss to the Bank or the Bank's subsidiary. Entitlement to the Bank's shares as part of the variable remuneration is based on the same performance measurement criteria as for the monetary part.

The deferred portion of the annual variable remuneration is allocated and granted at the end of the deferral period in the Bank's shares, in accordance with the signed Option Agreement with the Designated Employee.

The Bank has concluded agreements with the majority of the members of the Board (members of the Board of the Bank also hold other positions in the Bank under labour contracts) that upon termination of employment with a member of the Board holding other positions in the Bank on the initiative of the Bank, the Bank will be required to pay a one-off compensation equal to the amount of 12 monthly salaries.

GENERAL QUANTITATIVE INFORMATION ON REMUNERATION

Average monthly remuneration of the Bank's and the Group's employees before taxes

	Bank				*Group*			
	Managing employees		*Other employees*		*Managing employees*		*Other employees*	
	Average number of employees	Average monthly remuneration, EUR	Average number of employees	Average monthly remuneration, EUR	Average number of employees	Average monthly remuneration, EUR	Average number of employees	Average monthly remuneration, EUR
2019	79	7,198	581	1,643	99	6,759	672	1,643
2020	81	6,964	609	1,688	103	6,329	699	1,675

Information on the salaries of the Bank's and the Group's employees in 2019 and 2020, before taxes

In the tables below:

- The information of the *managers; members of the management body performing the management functions, the persons performing the internal control functions and the persons performing the administrative functions* is presented separately, but is also included in the data of the *Business Area*;
- *Managers; Members of the management body performing the management function* shall be understood as members of the Board and Chief Executive Officer of the Bank, members of the Board and General Director of SB lizingas UAB, members and director of the board of Life Insurance SB draudimas UAB, the managers of other Group companies are shown only in the data of the *Business area*;
- *Persons performing internal control functions* should be understood as employees responsible and accountable to the management body for activities performed in the independent risk management function, compliance control function or internal audit function;
- *Persons performing administrative functions* should be understood as employees managing the service responsible for legal affairs, finance, including taxation and budget, human resources, remuneration policy, information technology or economic analysis;
- *Fixed remuneration*: the calculation includes what was paid in a particular year: basic remuneration; holidays; incapacity for work; income in kind; additional benefits (e.g. pension insurance, health insurance contributions, cash gifts / benefits, prizes, death grants, etc.);
- *Variable remuneration:* the calculation includes what was paid in a particular year: quarterly bonuses and premiums; the part of the allocated annual variable remuneration paid in cash (the allocated deferred part is not included in shares); deferred parts of the annual variable remuneration (in cash and shares);
- *Total* column values are calculated by summing the *Business Areas* information

				Business areas			
Bank	Managers; Members of the management body performing the management function	Persons performing internal control functions	Persons performing administrative functions	Traditional banking and lending	Treasury and other activities	Business management function	Total
Number of employees 2019-12-31	7	3	5	413	15	232	660
Fixed remuneration 2019, thous. euros	1,300	226	816	5,878	398	8,005	14,282
Variable remuneration 2019, thous. euros	973	129	604	1,477	127	2,304	3,908
Group							
Number of employees 2019-12-31	14	3	7	461	78	232	771
Fixed remuneration 2019, thous. euros	1,754	226	1,014	6,948	1,903	8,005	16,856
Variable remuneration 2019, thous. euros	1,213	129	711	1,814	223	2,304	4,341
Bank							
Number of employees 2020-12-31	7	3	5	398	15	277	690
Fixed remuneration 2020, thous. euros	1,246	259	777	6,272	415	8,833	15,519
Variable remuneration 2020, thous. euros	815	108	443	1,297	110	2,178	3,586
Group							
Number of employees 2020-12-31	14	3	7	442	81	277	800
Fixed remuneration 2020, thous. euros	1,783	259	1,003	7,373	1,647	8,833	17,852
Variable remuneration 2020, thous. euros	1,039	108	545	1,644	197	2,178	4,018

In 2020, no remuneration of EUR 1 million or more was paid to any person in the Bank.

Information on the remuneration of the Bank's and the Group's Designated Employees in 2020, before taxes

As on 31 December 2020, the Group had 34 Designated Employees, of which: 27 in the Bank, 4 in SB lizingas UAB, 3 in Life Insurance SB draudimas UAB, holding the positions of Designated Positions determined by the Board of the Bank in accordance with the qualitative and quantitative criteria set out in the Commission delegated regulation (EU) No 604/2014 and the additional Group criteria (if applicable) which identify the categories of employees whose professional activities have a significant impact on the risk profile of the institution (Group).

The tables below show:

- Information on the fixed remuneration of the members of the management body performing the Bank's supervisory function (variable remuneration is not granted to the members of the management body performing the Bank's supervisory function);
- Fixed and variable remuneration of the Bank's and the Group's Nominated Employees, broken down by Activity Areas. Nominated employees were identified by their offices taken as of 31 December 2021;
- *Managers; The information of the members of the management body performing the management functions, the persons performing the internal control functions and the persons performing the administrative functions* is presented separately, but is also included in the data of the Activity Areas;
- The total values of the column are calculated by adding the information of the members of the management body performing the Supervisory function and the Activity Areas.

Bank	Members of the management body performing supervisory function	Employees who assume significant risks (Designated employees)						Total
		Managers; Members of the management body performing the management function	Persons performing internal control functions	Persons performing administrative functions	Business areas			
					Traditional banking and lending	Treasury and other activities	Business management function	
FIXED REMUNERATION 2020, thous. euros	**453**	**1,246**	**259**	**777**	**727**	**119**	**1,932**	**3,231**
Number of recipients, pcs.	8	7	3	5	8	2	17	35
ANUAL VARIABLE REMUNERATION for 2019, assigned in 2020, thous. euros	**-**	**1,109**	**154**	**701**	**614**	**94**	**1,517**	**2,226**
Assigned in 2020 not deferred (paid) annual variable remuneration for 2019 in cash, thous. euros	-	555	77	350	307	47	759	1,113
Assigned in 2020 deferred (unpaid) annual variable remuneration for 2019 in shares, thous. euros	-	555	77	350	307	47	759	1,113
Assigned in 2020 deferred (unpaid) annual variable remuneration for 2019 in shares, pcs.	-	1,079	140	682	597	92	1,476	2,165
Number of recipients, pcs.	-	7	2	5	8	2	17	27
Portion of annual variable remuneration from fixed remuneration, %	-	89%	59%	90%	84%	79%	79%	69%
Benefits related with termination of employment contract 2020, thous. euros	**-**	**-**	**24**	**-**	**-**	**-**	**24**	**24**
Maximum amount assigned to the person, thous. euros	-	-	24	-	-	-	24	24
Number of recipients, pcs.	-	-	1	-	-	-	1	1
Guaranteed variable remuneration 2020, thous. euros	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Number of recipients, pcs.	-	-	-	-	-	-	-	-
2020 paid deferred annual variable remuneration for 2016-2017 in cash, thous. euros	-	130	17	82	68	9	260	337
2020 paid deferred annual variable remuneration for 2016-2017 in shares, thous. euros	-	130	17	81	66	9	257	332
On 31-12-2020 remaining unpaid deferred annual variable remuneration for 2017 in cash, thous. euros	-	65	9	41	36	5	93	134
On 31-12-2020 remaining unpaid deferred annual variable remuneration for 2017 in shares, thous. euros	-	51	7	32	28	4	73	105
On 31-12-2020 remaining unpaid deferred annual variable remuneration for 2018 in shares, thous. euros (assigned for 2019, awarded for 2022)	-	496	71	311	267	39	647	953

Group	Members of the management body performing supervisory function	Employees who assume significant risks: Managers; Members of the management body performing the management function	Employees who assume significant risks: Persons performing internal control functions	Employees who assume significant risks: Persons performing administrative functions	Business areas: Traditional banking and lending	Business areas: Treasury and other activities	Business areas: Business management function	Total
FIXED REMUNERATION 2020, thous. euros	**453**	**1,783**	**259**	**1,003**	**1,828**	**916**	**1,932**	**5,129**
Number of recipients, pcs.	8	14	3	7	12	5	17	42
ANUAL VARIABLE REMUNERATION for 2019, assigned in 2020, thous. euros	**-**	**1,445**	**154**	**849**	**900**	**144**	**1,517**	**2,562**
Assigned in 2020 not deferred (paid) annual variable remuneration for 2019 in cash, thous. euros	-	723	77	424	450	72	759	1,281
Assigned in 2020 deferred (unpaid) annual variable remuneration for 2019 in shares, thous. euros	-	723	77	424	450	72	759	1,281
Assigned in 2020 deferred (unpaid) annual variable remuneration for 2019 in shares, pcs.	-	1,406	140	826	876	140	1,476	2,491
Number of recipients, pcs.	-	14	2	7	12	5	17	34
Portion of annual variable remuneration from fixed remuneration, %	-	81%	59%	85%	49%	16%	79%	50%
Benefits related with termination of employment contract 2020, thous. euros	**-**	**-**	**24**	**-**	**-**	**-**	**24**	**24**
Maximum amount assigned to the person, thous. euros	-	-	24	-	-	-	24	24
Number of recipients, pcs.	-	-	1	-	-	-	1	1
Guaranteed variable remuneration 2020, thous. euros	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Number of recipients, pcs.	-	-	-	-	-	-	-	-
2020 paid deferred annual variable remuneration for 2016-2017 in cash, thous. euros	-	162	17	96	99	21	260	380
2020 paid deferred annual variable remuneration for 2016-2017 in shares, thous. euros	-	162	17	96	98	22	257	377
On 31-12-2020 remaining unpaid deferred annual variable remuneration for 2017 in cash, thous. euros	-	82	9	48	53	11	93	157
On 31-12-2020 remaining unpaid deferred annual variable remuneration for 2017 in shares, thous. euros	-	65	7	38	42	9	73	123
On 31-12-2020 remaining unpaid deferred annual variable remuneration for 2018 in shares, thous. euros (assigned for 2019, awarded for 2022)	-	623	71	368	267	39	647	953

MAIN INVESTMENTS DURING THE REPORTING PERIOD

The table below shows the main investments made by the Bank's group during the reporting period, in EUR thousand:

Acquisition of property, plant and equipment, investment property and intangible assets	4,396
Acquisition of debt securities at amortized cost	389,552
Acquisition of investment securities at fair value	24,605

COMPANIES COMPRISING GROUP

	Nature of activities	Registration date	Company code	Address	Tel.	e- mail, website
Šiaulių Bankas AB	commercial banking	04/02/1992	112025254	Tilžės str.149 LT-76348 Šiauliai	+370 41 595 607	info@sb.lt, www.sb.lt

The Bank directly controls the following subsidiaries

SB Lizingas UAB	finance lease, consumer credits.	14/07/1997	234995490	Laisvės al. 80, LT-44249 Kaunas	+370 37 407 200	info@sbl.lt, www.sblizingas.lt
Šiaulių Banko Lizingas UAB	finance leases (leasing) and operating leases.	16/08/1999	145569548	Vilniaus str. 167, LT-76352 Šiauliai	+370 41 598 010, +370 5 272 3015	lizingas@sb.lt, www.sb.lt
Šiaulių banko Turto Fondas UAB	real estate management	13/08/2002	145855439	Vilniaus str. 167, LT-76352 Šiauliai	+370 41 525 322	turtofondas@sb.lt www.sbip.lt
Life insurance SB UAB	life insurance	31/08/2000	110081788	Laisvės pr. 3, LT-04215 Vilnius	+370 5 236 2723	info@sbdraudimas.lt, www.sbdraudimas.lt
*Šiaulių Banko Investicijų Valdymas UAB**	Investment managment	31/08/2000	145649065	Šeimyniškių st. 1A, LT-09312 Vilnius	+370 5 272 2477	sbiv@sb.lt, www.sbip.lt
*Minera UAB**	real estate management	30/09/1992	121736330	Dvaro str. 123A, LT-76208 ŠŠiauliai	+370 41 399 423	info@minera.lt, www.sbip.lt, www.minera.lt

The Bank indirectly controls the following subsidiaries

*Sandworks UAB***	real estate management	10/10/2012	302896357	Skruzdynės str. 1, LT-93123 Neringa	+ 370 8 615 34251	
*Apželdinimas UAB****	afforestation, landscaping	05/02/1991	132443396	A. Mickevičiaus str. 56, LT-44244 Kaunas	+370 37 391 055	

*Held for sale

**The Bank's 100% owned subsidiary Šiaulių Banko Investicijų Valdymas controlled 100% shares of the company.

***The Bank's 100% owned subsidiary Šiaulių Banko Turto Fondas controlled 100% shares of the company.

TRANSACTIONS WITH RELATING PARTIES

Information on these transactions with related parties is provided in note 30 to the Bank's financial statements for the year 2020.

INFORMATION ON SANCTIONS IMPOSED

During 2020, neither Šiaulių Bankas nor the Group companies were subject to any sanctions.

INFORMATION ON RESEARCH AND DEVELOPMENT ACTIVITIES

The Bank is constantly investing and looking for ways to ensure expansion and better operational efficiency.

INFORMATION ABOUT HARMFUL TRANSACTIONS

During the reporting period, no harmful transactions that were not in accordance with the Bank's objectives, normal market conditions, harming the interests of shareholders or other groups of persons and which had or could have a negative impact on the Bank's activities or results of operations were concluded. There were also no transactions where the Bank's executives, controlling shareholders or other related parties would have been in a conflict of interest due to their different duties to the Bank and their private interests and / or duties.

REPORTS ON MATERAIL EVENTS

In accordance with the procedures set by the Charter of the Bank and the legal acts of the Republic of Lithuania reports on material events are announced in the Central regulated information base and on the Bank's website at:

Homepage › Bank Investors › Reports on Stock Events

Other important events are available on the Bank's website at:

Homepage › About Us › News

Chief Executive Officer
2021-03-08

Vytautas Sinius

REPORT ON THE BANK'S CORPORATE GOVERNANCE

(Annex to the Consolidated Annual Report for 2020)

Following Article 23[1] s of the Law of the Republic of Lithuania on Financial reporting by Undertakings the Bank discloses its compliance its specific provisions and recommendations.

Clause 1. Reference (s) to the applicable Corporate Governance Code (Codes) and where it is (they are) published and / or a reference to all publicly available information on corporate governance practices.

The Bank's shares are traded on a regulated market and are listed on the Nasdaq Baltic Main List. Following Article 12 (3) of the Law on Securities of the Republic of Lithuania and clause 24.5 clause of the Listing Rules of Nasdaq Vilnius, the Governance Code for the companies quoted on the Nasdaq Vilnius applies to the Bank, which has been prepared by Nasdaq Vilnius in accordance with the Commission recommendation 2014/208/ES dated 09 April 2014 approved by the European Commission regarding quality of governance reporting provided by undertakings. The Bank follows the Corporate Governance Report form approved by the Board of Nasdaq Vilnius AB on 15 January 2019 which is prepared in accordance with the Governance Code for Listed Companies approved by the Board of Nasdaq Vilnius on 15 January 2019.

Clause 2. In the event of a deviation from, and / or non-compliance with the applicable provisions of corporate governance code (s), the provisions being deviated from and / or not complied with and the reasons for it.

Following Article 12 (3) of the Law on Securities of the Republic of Lithuania and clause 24.5 clause of the Listing Rules of Nasdaq Vilnius AB, the Bank discloses its compliance with the Governance Code for the companies quoted on the Nasdaq Vilnius AB, its specific provisions and recommendations. Where the Bank does not meet some of its provisions or recommendations it is indicated which specific provisions or recommendations are not met and explanatory information is provided.

Free Form Summary of the Corporate Governance Report

The Bank's bodies are the General Meeting of Shareholders, the Supervisory Council, the Management Board and the Chief Executive Officer. The Bank's Supervisory Council is a collegial eight-member supervisory body with five independent members. The Management Board of the Bank is a seven-member collegiate executive body of the Company, consisting of the Chief Executive Officer, Deputy Chief Executive Officers and Heads of Bank Divisions. The Bank has 6 committees. 4 Committees - Risk, Audit, Appointment, Remuneration - are subordinate to the Supervisory Council, 2 Committees - Loan and Risk Management - to the Board.

The Supervisory Council is elected by the General Meeting of Shareholders for the term of 4 years. The Board of the Bank is also elected by the Supervisory Council for a 4-year term. The Board elects and dismisses the Chief Executive Officer and his Deputies, determines the remuneration of the Chief Executive Officer and other conditions of the labour contract.

More information on the Bank's corporate governance, shareholders' rights, activities of the Supervisory Council, Board and Committees, members, internal control and risk management systems is provided in the Bank's consolidated annual report for the year ended 31 December 2020.

Structured table for disclosure

PRINCIPLES/ RECOMMENDATIONS	YES /NO/NOT APPLICABLE
I Principle. General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights.	
The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.	
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms.	Yes
COMMENT The information required by legislation and the Bank's documents are publicly available on the Bank's website in Lithuanian and English. All shareholders have the same statutory rights to attend general meetings.	
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes
COMMENT The Bank's authorized capital consists of 600,726,263 ordinary registered shares with a par value of EUR 0.29 each. Each share grants one vote at the general meeting. All shares of the Bank entitle the holders to equal rights.	
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes
COMMENT The Bank's website contains the Bank's Charter which establish the rights granted to the holders of the Bank's shares. When new shares are issued, the rights granted by the shares shall be disclosed in the prospectus and in other publicly available issue documents.	
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	Yes
COMMENT When approving the Charter of the Bank, the General Meeting of Shareholders transferred the right to approve the decisions of the Board regarding the sale of a significant part of the assets to the Supervisory Council of the Bank (without violating the requirements of the Law on Companies of the Republic of Lithuania). It should be noted that in the event of a particularly significant transaction, the Bank's bodies, the Board or the Supervisory Council , could decide to convene a GMS on this issue, although such an obligation is not directly enshrined in the Bank's Charter.	
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes
COMMENT The General Meetings of the Bank are held in Šiauliai at an address and time announced in advance. Ordinary shareholders' meetings are held at the end of March extraordinary - if necessary. In 2020, the Annual General Meeting was held on 31 March 2020 at 3 pm, extraordinary – on 10 June 2020. The notice convening the general meeting shall specify that the draft resolutions may be submitted in writing or by e-mail before the time indicated on the date of the meeting and shall be communicated to the chairman after he has announced the agenda of the meeting, until the meeting begins to discuss the agenda items. Both general meetings of shareholders in 2020 were held under the quarantine conditions of the Covid-19 pandemic. Taking into account the existing restrictions of the quarantine regime, the Bank allowed the shareholders to express their will on the issues on the agenda of the meetings only by voting in writing in advance. Despite this limitation, quorums for meetings were customary. The Bank provided additional technical opportunities for shareholders to complete and submit general ballot papers for meetings.	

1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed. — Yes

COMMENT

All information and documents of the General Meeting of Shareholders are drafted in Lithuanian and English and are publicly available on the Bank's website and through the information delivery system regulated by the Nasdaq Baltic.

1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot. — Yes

COMMENT

The Bank's shareholders have the right to participate in the shareholders' meeting both in person and through a representative, by issuing a duly authorized proxy or concluding a transfer of voting rights in accordance with the procedure established by legal acts. Shareholders is also be provided with the opportunity to vote in writing in advance by completing the general ballot paper and submitting it to the Bank prior to the meeting.

1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person. — No

COMMENT

The Bank does not comply with this recommendation because it does not have the necessary technical and software installed. One of the reasons why the equipment is not installed is the risk of information uncertainty and security of transmission due to the presence of a significant part of the Bank's shares in nominee accounts opened in the name of account operators, which means that the Bank does not know the final beneficiaries of some of the shares until the disclosure at the meeting.
Although Commission Implementing Regulation (EU) 2018/1212 of 3 September 2018 entered into force on 3 September 2020, implementing the provisions of the EU Shareholder Rights Directive 2007/36 / EC, issuers have the opportunity to obtain their lists of shareholders up to the final shareholders, not all intermediaries disclose the final shareholders of the Bank.
Once the lists of shareholders received by the Bank through the Nasdaq CSD disclose all shareholders to the final shareholders in order to enable shareholders to attend and vote at meetings by electronic means, measures must be put in place to ensure information security and reliably identify participants and voters.

1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided. — Yes

COMMENT

Nominations for the members of the Supervisory Council shall be made public as soon as the initiators of the meeting or persons entitled to submit nominations provide the Bank with information about the proposed candidates. Candidate information published together with draft decisions shall include information on the candidates' education, professional experience and other positions held. Following the approval of the Bank's remuneration policy by the General Meeting of Shareholders on 31 March 2020, which stipulates the payment of fixed remuneration to the members of the Bank's Supervisory Council and the amounts of this fixed remuneration, information on candidates for members of the Supervisory Council for work on the supervisory council. The remuneration policy is published on the Bank's website, which is accessible to everyone. The name of the audit company proposed for election to the General Meeting of Shareholders and the proposed remuneration for audit services are provided in the draft resolution for the relevant item on the agenda of the meeting.

1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders. COMMENT General meetings of shareholders, which are organized and coordinated in advance, are always attended by persons who can provide information related to the agenda of the meeting. Proposed candidates shall always attend the general meeting of shareholders who elect the members of the Supervisory Council except in special cases (eg if physical attendance at the meeting is not possible due to the quarantine regime).	Yes

II Principle. Supervisory Council

2.1 Functions and liability of the supervisory council

The supervisory council f the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.

The supervisory council should ensure the integrity and transparency of the company's financial accounting and control system.

2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare. COMMENT The Rules of Procedure of the Supervisory Board establish that the Supervisory Board shall act in accordance with the principles of good governance and shall perform its functions taking into account the interests of the Bank's shareholders, depositors and other interested third parties.	Yes
2.1.2. Where decisions of the Supervisory Council may affect the interests of the company's shareholders differently, the Supervisory Council should treat all shareholders impartially. It should ensure that shareholders are properly informed about the company's strategy, risk management and control and resolution of conflicts of interest. COMMENT The members of the Supervisory Council assess their influence on the activities of the Bank and the shareholders of the Bank before making decisions. The Bank shall comply with the disclosure requirements of listed companies and shall ensure that the Bank's shareholders are properly informed about the Bank's strategy, operations and risk management and control.	Yes
2.1.3. The supervisory council should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory council should act and pass decisions without an external influence from the persons who elected them. COMMENT The Supervisory Council of the Bank shall act independently in making decisions that are significant to the Bank's activities and strategy. The Rules of Procedure of the Supervisory Council include the provision stating that each member shall be prepared and able to act objectively, critically and independently and to make informed, objective and independent decisions.	Yes

[1] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

2.1.4. Members of the supervisory council should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent [2] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence. KOMENTARAS The members of the Supervisory Council shall have the right to express their opinion on all issues on the agenda of the meeting. The rules of procedure of the Supervisory Council oblige the members of the Supervisory Council to constructively and critically evaluate the proposals, explanations and information submitted to the Council.	Yes
2.1.5. The supervisory council should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks. COMMENT The Bank's Supervisory Council oversees that all Bank's strategies are developed and implemented in accordance with the law, including tax planning strategies.	Yes
2.1.6. The company should ensure that the supervisory council is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory council and its committees. COMMENT The Bank ensures the Supervisory Council is provided with the resources necessary for its activities - it technically servicing the meetings of the Supervisory Council and providing all the necessary information. The rules of procedure of the Supervisory Council provide for the right of the Supervisory Council to appoint an expert (group of experts) to audit and evaluate the financial accounts of the Bank, considering issues within the competence of the Council.	Yes

II Principle. Supervisory Council

2.2 Formation of the Supervisory Council

The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.

2.2.1. The members of the supervisory council elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory council, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks. COMMENT Shareholders, in assessing the qualifications and professional experience of the members of the Supervisory Council, shall vote accordingly at the General Meeting of Shareholders in respect of the proposed candidates for the Supervisory Council. The diversity of the qualifications, professional experience and competences of the members of the Supervisory Council is ensured by the fact that the nomination committee and a member of the Supervisory Council (nominated or already elected at the shareholders' meeting) are allowed to start their duties only with the permission of the supervisory authority. The supervisory authority shall also assess the collective suitability of the members of the supervisory council when issuing authorizations.	Yes

[2] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuaniai.

2.2.2. Members of the supervisory council should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience. COMMENT The Supervisory Council of the Bank is elected for four years. The number of term of office of a person in the Council shall not be limited. The General Meeting of Shareholders may remove the entire Supervisory Council or its individual members before the end of the term of office and may elect new members until the end of the term of office of the existing Council.	Yes
2.2.3. Chair of the supervisory council should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory council either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision. COMMENT For the Chairman of the Bank's Supervisory Council, his other (current and former) duties shall not prevent him from acting impartially as Chairman of the Council. He has neither been the Chief Executive Officer nor a member of the Board.	Yes
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof. COMMENT The members of the Supervisory Council shall devote sufficient time and attention to the duties of the member of the Supervisory Council. In 2020 there were eight meetings of the Supervisory Council. All members of the Supervisory Council, elected by the General Meeting of Shareholders of the Bank and authorized by the Supervisory Authority of the Bank to hold the position of a member of the Supervisory Council of the Bank, participated and voted in all meetings.	Yes
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances. COMMENT There are five independent members in the current eight member Supervisory Council, whose term is until the ordinary general meeting of shareholders in 2024. This was announced when these members were elected by the general meeting and it is also disclosed in the Bank's annual consolidated report. The Supervisory Council has not decided that any of the independent members cannot be considered independent.	Yes
2.2.6. The amount of remuneration to members of the supervisory council for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders. COMMENT For his/her activities and participation in meetings, the Bank paid a fixed remuneration to the members of the Supervisory Council, which consists of a salary and a bonus paid for performing additional functions while holding the position of a member of the Supervisory Board (Chairman of the Council, Chairman of the Committee, Committee member). The annual amount of the official remuneration and the percentage of bonuses to the official remuneration paid to a member of the Supervisory Council for the entire term of office shall be approved by the General Meeting of Shareholders of the Bank when approving the Remuneration Policy.	Yes

2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures. COMMENT Each year, the members of the Supervisory Council participate in the overall process of assessing the effectiveness of the Bank's internal management system, which includes assessing its structure, organization and ability to act as a group, as well as assessing whether the Supervisory Council had achieved the set performance targets. The Bank publishes the internal structure of the Supervisory Council in its annual reports.	Yes

III Principle. Management Board

3.1 Functions and liability of the management board

The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.

3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy. COMMENT The Bank's Board ensures the implementation of the Bank's strategy as approved by the Supervisory Council.	Yes
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development. COMMENT The Board performs the functions assigned to it by law and the Bank's Charter. In accordance with the Regulation of the Board of the Bank, the Board develops such principles of good governance of the Bank that would promote more efficient work and create a good image of the Bank and the Bank's group of companies as a whole. It builds sustainable business.	Yes
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers. COMMENT The Board of the Bank ensures compliance with laws and internal policies. As set out in the Bank's Charter the Board approves and monitors the implementation of the Bank's risk management policy, independent risk management and compliance, effective functioning of the Bank's internal control system, how appropriate is governance structure, compliance with set principles, values, and code of conduct. The Board monitors and supervises the actions of the Bank's administration in accordance with the Bank's strategy, policies, implementation plans, budget implementation and, where appropriate, special external or internal factors (e.g. non-standard financial sector developments, regulatory changes, supervisory requirements, plans, budget) may revoke decisions made by the Chief Executive Officer.	Yes
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[3] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards. COMMENT The Board is responsible for enforcing applicable laws, regulations and standards in the areas of internal control, ethics and compliance, including those included in the OECD Guidance.	Yes

[3] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

3.1.5. On Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards. COMMENT When appointing the Bank's Chief Executive Officer, the Board of the Bank shall take into account the balance of its qualifications, experience and competence, as well as whether the supervisory authority has not objected to such appointment.	Yes

III Principle. Management Board

3.2 Formation of the management board

3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks. COMMENT The Supervisory Council assesses the qualifications and professional experience of the Board members by voting for the proposed candidates for the Board membership. The diversity of the qualifications, professional experience and competences of the members of the members of the Board is ensured by the fact that the nomination committee and a member of the Management Board are allowed to their duties only with the permission of the supervisory authority. The supervisory authority shall also assess the collective suitability of the members of the Board when issuing authorizations.	Yes
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report. COMMENT Information on candidates for membership of the Board of the Bank, including their curriculum vitae and declaration of interests, shall be submitted to the meeting of the Bank's Supervisory Board at which the Board or its individual members are being elected. Information about the positions held by the members of the Board or their participation in the activities of other companies is constantly collected, stored and presented in the Bank's consolidated annual report and on the Bank's website.	Yes
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company. COMMENT The members of the Board are acquainted with their duties, activities, organizational and management structure, strategy and activities of the Bank.	Yes
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and frequent reapproval of their status. COMMENT The Management Board of the Bank is elected for four years. The number of term of office of a person in the Boardshall not be limited. The General Meeting of Shareholders may remove the entire Board or its individual members before the end of the term of office and may elect new members until the end of the term of office of the existing Board.	Yes

3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision. COMMENT For the Chairman of the Board of the Bank, his other (current and former) duties shall not prevent him from acting impartially as Chairman of the Board. The fact that the Chairman of the Board is the Deputy Chief Executive Officer of the Bank ensures compliance with the requirement of Article 33 (2) of the Law on Banks of the Republic of Lithuania.	Yes
3.2.6. Each member should devote sufficient time and attention to the duties of a board member. If a board member attended less than half of the board meetings during the financial year of the company, the company's supervisory council should be informed about it, if the supervisory council is not formed in the company – the general meeting of shareholders. COMMENT Board members devote sufficient time and attention to the performance of the duties of a board member. In 2020, 60 meetings of the Board took place, all of which were attended by at least five members of the Board (according to the rules of procedure of the Board, a meeting may take place and decisions may be taken when at least 2/3 of the members of the Board are present). Attendance at meetings of all board members in 2020 was over 91 percent. Board members did not attend meetings only on vacations or on business trips.	Yes
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory council is not formed at the company, and some of its members will be independent[4], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances. COMMENT Supervisory Council is formed at the Bank.	Not applicable
3.2.8. The amount of remuneration to members of the management board for their activity and participation in meetings of the management board should be approved by the general meeting of shareholders. COMMENT The Bank has a Supervisory Council, which is responsible for electing and removing members of the Board. All members of the Board hold other positions in the Bank. In accordance with the Remuneration Policy approved by the General Meeting of Shareholders, the prior approval of the Supervisory Council is required when determining the remuneration and other terms of the employment contract of the members of the Board holding other positions in the Bank. The Supervisory Council also approves the annual variable remuneration of the members of the Board.	No
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests. COMMENT The Board shall act in accordance with the principles of good governance and perform its functions in the interests of the Bank's shareholders, clients and other interested third parties. A member of the Board shall not have the right to vote and attend the Board meeting when dealing with issues related to his / her activities on the Board or his / her responsibility, as well as issues that may affect the member or other risk to the Bank.	Yes

[4] For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data. COMMENT Each year, the members of the Board participate in the overall process of assessing the effectiveness of the Bank's internal management system, which includes assessing management structure, organization and ability to act as a group, as well as assessing whether the Board l had achieved the set performance targets. The Bank publishes the internal structure of the Board in its annual reports.	Yes

IV Principle. Rules of procedure of the supervisory board and the management board of the company

The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.

4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this. COMMENT The legal acts regulating the activities of the Supervisory Council and the Board, the Charter and the Rules of Procedure of the Bank shall establish the principles and procedure of cooperation between the Supervisory Council and the Board and ensure that the supervisory and management bodies function properly.	Yes
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter. COMMENT The Supervisory Council and the Board of the Bank act in accordance with the procedures established in their rules of procedure. Meetings of the Supervisory Council shall be held at least four times a year and at intervals not exceeding four months. Meetings of the Management Board shall be convened periodically, but at least once a month, in accordance with the Rules of Procedure of the Management Board. In 2020, 60 meetings of the Board were held.	Yes

4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution. COMMENT The rules of procedure of the Supervisory Council and the Management Board shall provide advance notice of meetings. Meetings of the Supervisory Council shall be held in accordance with a pre-arranged timetable. The agenda of the meeting shall be prepared by the secretary of the council, approved by the chairman and submitted to the members of the council in advance not later than four working days before the meeting, and in case the issue should be solved by way of questioning - not later than two working days. The meeting may take place and the resolutions adopted at it will be considered valid and not in accordance with this procedure, if all members of the Supervisory Council agree to it and it is indicated in the minutes of the meeting. The exact date and time of the meeting of the Management Board shall be communicated to the members of the Management Board at least one working day before the meeting, except in urgent cases. The agenda of the meeting and the draft resolutions shall be communicated to the members of the Board in advance. The Secretary of the Board, in agreement with the Chairman of the Board, shall ensure that the agenda, draft resolutions and other information are made available to all Board members at least one business day prior to the meeting. Additional urgent items may be included on the agenda of a Board meeting only with the consent of the Chairman of the Board.	Yes
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed. COMMENT The dates of all meetings of the Supervisory Council and the Management Board cannot be agreed due to the different frequency of meetings of these bodies. All meetings of the Supervisory Council are attended by the members of the Board, regardless of the issues discussed at the meeting.	Yes

V Principle. Nomination, remuneration and audit committees

5.1 Purpose and formation of committees

The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.
Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.

5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[5]. COMMENT The Bank's Supervisory Council has formed Audit, Risk, Nomination and Remuneration Committees which operate at the Bank.	Yes

[5] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees. COMMENT *See comment of clause 5.1.1.*	Not applicable
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole. COMMENT *See comment of clause 5.1.1.*	Not applicable
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees. COMMENT The Audit, Nomination and Remuneration Committees have three members each, and the Risk Committee has four members. The members of the committees are members of the Supervisory Council, they are appointed to the committees according to their competence. The Remuneration and Nomination Committees have two independent members of the Supervisory Council, three each for Risk and Audit. The chairs of all committees are independent. The chairman of the supervisory council is not the chairman or member of any committee.	Yes
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance. COMMENT The powers of the committees formed by the Supervisory Council are determined by the Supervisory Council. The Committees operate in accordance with the regulations of the Committees approved by the Supervisory Council and report to the Supervisory Council at least once a year. The powers of the Committees, their composition and other information are published in the Bank's annual and half-year reports.	Yes
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee. COMMENT Only Bank employees or other persons (experts) invited by the Committee may attend and participate in the meetings of the Committees. The chairmen of the committees are enabled to communicate directly with the shareholders.	Yes

V Principle. Nomination, remuneration and audit committees

5.2 Nomination committee

5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning. COMMENT The main functions of the Bank's Nomination Committee are in line with this Recommendation.	Yes
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee. COMMENT Consultations between the Nomination Committee and the Chief Executive Officer of the Bank take place through the information and documents required for the decisions of the Nomination Committee which are prepared by the Secretary of this Committee - Director of the Bank's Personnel Department who coordinated all the issues relating to labour relations with the Chief Executive Officer.	Yes

V Principle. Nomination, remuneration and audit committees

5.3 Remuneration committee

The main functions of the remuneration committee should be the following: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation. COMMENT The main functions of the Bank's Remuneration Committee are in line with this Recommendation.	Yes

V Principle. Nomination, remuneration and audit committees

5.4 Audit committee

5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities[6] of the audit committee. COMMENT The main functions of the Bank's Audti Committee are in line with this Recommendation.	Yes
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches. COMMENT As provided for the Provisions of the Audit committee the members of the committee must be provided with detailed information regarding the specifics of the Bank's accounting, financial and operational activities. The Bank's management staff and persons responsible for accounting and compilation of the financial statements has to inform the Audit Committee of the methods of accounting for high value and non-conforming transactions, if the accounting of these transactions can be managed by different methods as well as activities in preferential trade zones and / or through specialist entities (enterprises, organizations) in order to find out whether such activity is justified.	Yes
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present. COMMENT As provided in the regulations of the Audit Committee, other employees of the Bank (as observers or specialists) may be invited to the meetings of the Committee, but they do not have the right to vote in decision-making. All those present at the meeting of the Committee shall have access to information on the items on the agenda for which they are invited. In carrying out its duties, the Committee shall be entitled to use the assistance of third parties for the purpose of conducting special investigations or other tasks and obtaining the necessary funding from the Bank. Agreements with third parties concerning the carrying out of the aforementioned investigations or other tasks must be made subject to the obligation of confidentiality of third parties.	Yes
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group. COMMENT The Bank's Audit Committee, ensuring the effectiveness of the internal audit function, shall coordinate and periodically assess the work of internal audit and discuss the results of inspections, assess , how the identified deficiencies are being eliminated and internal audit plans are being implemented, and, if necessary, take appropriate actions. In supervising external auditors or audit firms, the committee shall be aware of the auditors' work programme including the scope of assignments in the financial statements audit, the materiality level applied, and the process of identification of significant risks.	Yes

[6] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions. COMMENT Audit committee verifies if the Bank complies with the effective provisions concerning the possibility for employees to submit complaints or anonymously report suspicions that significant violations are are made within the Bank and aims to ensure that procedures are established for a proportionate and independent investigation of such issues and for the necessary follow-up. The Committee also may demands information on major events and non-compliance events, or whether they have been subject to appropriate measures in a timely manner.	Yes
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved. COMMENT The Bank's Audit Committee reports to the Supervisory Council once a year on submission of the financial statements for approval to the Bank's General Meeting.	No

VI Principle. Prevention and disclosure of conflicts of interest

The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.
The corporate governance framework should recognize the rights of the stakeholders as established by law and promote active cooperation between the company and its stakeholders in creating the company's well-being, jobs and financial stability. In the context of this principle, the term "stakeholders" includes investors, employees, creditors, suppliers, customers, the local community and others with interests in a particular company.

Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value. COMMENT The recommendations are followed. This is ensured by the provisions of the rules of procedure of the supervisory council and the board that a member of the supervisory council and the board must avoid activities that may cause a conflict of interest and that he must disclose to the Bank any information that may or have arisen and keep the information up to date.	Yes

VII Principle. Remuneration policy of the company

The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.

7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy. COMMENT The remuneration policy approved by the Bank's General Meeting of Shareholders on March 28, 2020 is published on the Bank's website. This policy is in line with the Bank's long-term strategy and will be reviewed regularly.	Yes

7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments. — Yes

COMMENT

The Bank's remuneration policy covers all forms of remuneration applied by the Bank.

7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance. — Yes

COMMENT

The Bank's remuneration policy provides for a fixed remuneration for the members of the Supervisory Council, independent of the Bank's performance.

7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance. — No

COMMENT

The Bank's remuneration policy stipulates that the amounts of pay-outs, notice periods related to the termination of employment or term of office shall be determined in accordance with labour law, except in exceptional cases when individual conditions are agreed for objective reasons or after evaluating long-term employment in the Bank or Group companies, and decided by the relevant competent body. No prior agreements on severance pay shall apply, but in exceptional cases and at the discretion of the relevant competent body, such agreements may occur.

7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares. — No

COMMENT

The Bank has a system of payment of a part of the annual variable remuneration in the Bank's shares. The Remuneration Policy and other documents regulating the Bank's remuneration system provide for the granting of rights to shares three years after the initial appointment (through the Employee's options). The retention of shares after the grant has not been provided to the members of the Board and the Chief Executive Officer and is in no way linked to the end of their term of office.

7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year. — Yes

COMMENT

The General Meeting of Shareholders on 28 March 2020 approved the Bank's remuneration policy in accordance with the new provision of the Law on Companies set out in Item 6 of Paragraph 1 of Article 20 of the Law.
Starting in 2021, the Bank will publish information on the implementation of the remuneration policy.

7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders. — Yes

COMMENT

In 2019, the General Meeting of Shareholders approved the Rules for Granting Shares in accordance with the wording of the Law on Companies in force at that time. In 2020, the Ordinary General Meeting of Shareholders approved the remuneration policy. These documents govern the share-based payment option scheme.
Changes in the rules for granting shares and remuneration policy are possible only by the decision of the general meeting of shareholders.

VIII Principle. Role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.

8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected. COMMENT The Bank identifies employees, shareholders, customers, suppliers and partners, regulators, communities and the public, associates and the media as key stakeholder groups. The rights and legitimate interests of all these groups are respected, and this is more fully disclosed in the Social Responsibility Report.	Yes
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc. COMMENT Depending on the stakeholder group, participation is made possible. This is explained in more detail in the Social Responsibility Report. One of the Bank's exclusive instruments is employee participation in the share capital through the payment of part of the annual variable remuneration in the Bank's shares.	Yes
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information. COMMENT Access to relevant information is always be available unless the information is confidential.	Yes
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function. COMMENT The Bank provides different channels for reporting to different stakeholder groups about illegal or unethical practices. For employees - through the Bank's internal information system AIS, for shareholders - through investor relations channels, for customers - through the Remote Call Centre, etc..	Yes

IX Principle. Disclosure of information

The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.

9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:	
9.1.1. operating and financial results of the company; COMMENT Disclosed quarterly in interim and annual financial statements.	Yes
9.1.2. objectives and non-financial information of the company; COMMENT Disclosed in interim and annual financial statements;	Yes

9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary. COMMENT It is disclosed on the Bank's website and in its interim and annual reports. The acquisition or disposal of a stake is also be publicly announced when the person or group of persons who have acquired or lost the stake inform the Bank thereof in accordance with the established procedure;	Yes
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration; COMMENT It is disclosed on the Bank's website and in its interim and annual reports.	Yes
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities; COMMENT The composition and activities of the Committees are disclosed in an annual report. The number of committee meetings and attendance of members shall not be disclosed.	No
9.1.6. potential key risk factors, the company's risk management and supervision policy; COMMENT Information on the Bank's risk management and supervision is disclosed in the annual financial reports.	Taip
9.1.7. the company's transactions with related parties; COMMENT It is disclosed on the Bank's website in accordance with the criteria established by legal acts and internal documents of the Bank.	Yes
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.); COMMENT Disclosed through internal and external communication channels.	Yes
9.1.9. structure and strategy of corporate governance; COMMENT It is disclosed on the Bank's website and in its interim and annual reports.	Yes
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects.This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts; COMMENT Information on social responsibility policies and similar initiatives and measures is disclosed in the Social Responsibility Report. Information on significant investment projects planned and implemented according to the scope of the Bank's activities is published as essential information of the issuer through the regulated information publication system administered by Nasdaq. On 5 November 2020, the Supervisory Board approved the Anti-Corruption and Unacceptable Conduct Policy, which is publicly available on the Bank's website.	Yes

9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies. COMMENT The Bank discloses consolidated results for the Group as a whole through consolidated interim and annual reports and consolidated annual report.	Yes
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7. COMMENT Information on the professional experience, qualifications and potential conflicts of interest of the Bank's Supervisory Council, Board and Chief Executive Officer that could affect their decisions is disclosed. The Consolidated Annual Report and the Consolidated Financial Statements disclose the total personnel costs, the amount of salaries paid to key executives of the Bank during the year.	Yes
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time. COMMENT Information to shareholders and investors to the same extent and simultaneously in Lithuanian and English languages and publicly available on the Bank's website.	Yes

X Principle. Selection of the company's audit firm

The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.

10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm: COMMENT The Bank's consolidated financial statements are audited and the financial information presented in the annual report is audited by an independent firm of auditors in accordance with International Standards on Auditing as adopted by the EU.	Yes
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company. COMMENT Both the Supervisory Council and the Management Board are formed at the Bank. Candidates of the audit firms are selected by the Board, however before being proposed to the general meeting, thery are coordinated with the Supervisory Council and the Audit committee.	Yes
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders. COMMENT The fee information for the audit firm for non-audit services (if any) would be disclosed publicly in the Bank's annual consolidated statements. The Supervisory Council and Board have this information at their disposal.	Yes

Clause 3. Information on risk scope and risk management - describes risk management related to financial reporting, risk mitigation measures and the internal control system in place.

More details are provided in the Financial Risk Management disclosure in notes to the financial statements for the year 2020 and on the internal control system in the Consolidated Annual Report 2020.

Clause 4. Information on significant direct or indirect holdings.

As of 31 December 2020 the following shareholdings have been declared in accordance with the procedure established in the Law on Securities of the Republic of Lithuania and the Bank of Lithuania disclosure rules:

- European Bank for Reconstruction and Development (EBRD) holds 26.02% stake about acquisition of which was announced on 21 December 2018.
- Algirdas Butkus together with his controlled companies Aiva Trading House UAB and Mintaka UAB holds a stake about acquisition of which was announced on 18 September 2019. The size of the stock on the reporting date was 5.59%, as at 31 December 2020 it accounted for 5.35% of the Bank's shares.
- Gintaras Kateiva together with his spouse Vilinda Kateiviene own a 5.29% stake, about acquisition of which was announced on18 September 2019.
- Invalda INVL AB holding more than 5 per cent of the shares about acquisition of which was announced on17 September 2015. The size of the stock on the day of the notification was 6.79%, as of 31 December 2020, together with the holding company INVL Asset Management UAB, this stock accounted for 6.14% of the Bank's shares.

Clause 5. Information on related party transactions as provided for in Article 372 of the Law on Companies (identifying the parties to the transaction (legal form, name, code, register of the legal entity, register where the data concerning this entity are collected and stored; natural person's name, address for correspondence) and transaction value).

Pursuant to the provisions of the Law on Companies of the Republic of Lithuania, the Board of the Bank approved the "PROCEDURE FOR CONCLUDING TRANSACTIONS WITH PARTIES RELATED WITH THE BANK". This procedure provide for Transactions having a significant impact on the Bank, the Bank's finances, assets and liabilities in this procedure. Transactions are considered significant if their value is equal to or greater than 1/5 of the Bank's authorized capital.

During 2020, the Bank published on its website one notice regarding significant transactions of parties related with the Bank:

NOTIFICATION 05/02/2020

Transactions entered with SB Lizingas UAB, subsidiary of Šiaulių Bankas AB
Company code 234995490, address Laisvės al. 80/Maironio str. 26 Kaunas.

Transaction information:

- Credit limit EUR 16 000 000 (maturity - on 30/09/2020, interest rate 2.6 per cent);
- Credit limit EUR 37 000 000 (maturity - on 30/39/2020, interest rate 2.6 per cent);
- Credit limit EUR 73 000 000 (maturity - on 30/03/2020, interest rate 2.6 per cent).

Credit transactions with the party related to Šiaulių Bankas AB have been entered in the ordinary course of Šiaulių Bankas business under standard market conditions. According to the assessment of Šiaulių Bankas AB, credit transactions and credit transaction terms and conditions are fair and reasonable in relation to Šiaulių Bankas AB and its shareholders who are not parties to these credit transactions.

NOTIFICATION 16/03/2020

Transactions entered with SB Lizingas UAB, subsidiary of Šiaulių Bankas AB
Company code 234995490, address Laisvės al. 80/Maironio str. 26 Kaunas.

Transaction information:

- Credit limit EUR 13 5000 000 (maturity - on 30/03/2021, interest rate 2.6 per cent).

Credit transactions with the party related to Šiaulių Bankas AB have been entered in the ordinary course of Šiaulių Bankas business under standard market conditions. According to the assessment of Šiaulių Bankas AB, credit transactions and credit transaction terms and conditions are fair and reasonable in relation to Šiaulių Bankas AB and its shareholders who are not parties to these credit transactions.

Clause 6. Information on and description of shareholders having special control rights.

There are no shareholders with special control rights in the Bank.

Clause 7. Details of any existing restrictions on voting rights, such as restrictions on the exercise of voting rights by a certain percentage or number of persons, the time limits by which voting rights may be exercised or the systems by which ownership of the securities is separated from the shareholder.

As of 31 December 2019 The Bank was not aware of any restrictions on the voting rights attaching to the Bank's shares, the time limits for exercising the voting rights, or any voting rights attached to the shares by any of the systems.

Clause 8. Information on the rules governing the election and replacement of the members of the Board as well as amendments to the Charter of the Company.

Following the Bank's Charter the members of the Board are elected, recalled and supervised by the Bank's Supervisory Council. The members of the Board are elected in compliance with the provisions of the Assessment Policy of Top Managers. The assessment survey is completed in accordance with it and the assessment survey with the assessment results are submitted to the Bank's Nomination Committee. Only after the Nomination Committee approves the assessment of the assessed person (Applicant to the Top Management) it can be provide to the nominating/electing person/body for the final decision regarding his/her eligibility to take a respective office at the Bank.

Clause 9. Information on the powers of board members.

The Board of the Bank is a collegial management body of the Bank consisting of 7 (seven) members. It manages the Bank, manages its affairs and is responsible for the execution of the Bank's financial services in accordance with the law. The term of office of the Board shall be four years and the number of terms is not limited. If individual members of the Board are elected, they are elected until the end of the term of office of the existing Board.

The Bank's Board shall consider and approve:

- the Bank's annual report;
- the structure of the Bank management and positions; posts in which persons are employed only by holding competitions;
- regulations of the branches, representatives and other separate subdivisions of the Bank;
- order of the Bank's loans granting, following the loan granting policy, approved by the Supervisory Council;
- order of issuing guarantees, securities and taking of other liabilities;
- order of writing-off of the loans and other debt liabilities;
- regulations of the Loan Committee and Risk Management Committee of the Bank;

The Board shall determine the remuneration of the Chief Executive Officer, other terms and conditions of the labour contract, approve his job description, promote him and impose penalties; also determines the information to be considered commercial secret of the Bank.

The Board shall adopt:

- decisions on the Bank becoming the incorporator and/or member of other legal entities;
- decisions on opening branches, representatives and other separate subdivisions of the Bank as well as on cancellation of their activities;
- decisions on the investment, transfer or lease of long-term assets the balance-sheet whereof amounts to over 1/20 of the Bank's authorized capital (calculating separately for each kind of transaction);
- decisions on the mortgage or hypothec of long-term assets the value whereof amounts to over 1/20 of the Bank's authorized capital (calculating separately for each kind of transaction);
- decisions on offering guarantee or surety for the discharge of obligations of other entities, when the amount of the obligations exceeds 1/20 of the Bank's authorized capital;
- decisions on the acquisition of long-term assets the price whereof exceeds 1/20 of the Bank's authorized capital;
- decisions on issuing of non-convertible bonds;
- Board work regulation;
- decisions on other matters it has to consider or solve under the Laws or Charter of the Bank.

The Board shall set:

- terms for shares issue of the Bank;
- order for issue of the bonds of the Bank. When the General Meeting decides on the issue of convertible bonds, the Board shall have the right to determine additional terms and conditions of their issue and approve the subscription agreements to which the Head of the Bank or a person authorized by the Bank is entitled to sign;
- order and cases of employment in the Bank, when the employees are engaged with the Board's approval.

The Board shall execute resolutions passed by the Meeting and Supervisory Council.

The Board shall analyse and evaluate the material submitted by the Chief Executive Officer on:

- the Bank's strategic business plan and information on its implementation;
- arrangement of the Bank's activities;
- the Bank's financial position;
- results of economic activities, income and expenditure estimates, stock-taking data and other records of valuables.

The Board analyses and evaluates the draft Rules for Granting Shares, which it submits to the Supervisory Council and the General Meeting of Shareholders together with the feedback and proposals on it.

The Board also analyses, evaluates and prepares the Bank's annual financial statements and draft for profit(loss) allocation for the Supervisory Council and the General Meeting of Shareholders, as well as resolves other issues of the Bank's activities if they are not assigned to the competence of other Bank's bodies.

The Board is responsible for convening and preparation of the General Meetings of Shareholders in a timely manner.

Clause 10. Information on the competence of the general meeting of shareholders, rights of shareholders and their implementation, if not provided by law.

The General Meeting of Shareholders shall be convened annually, at the latest within 3 months after the end of the financial year. Extraordinary General Meetings of Shareholders may also be convened. The Board of the Bank, the Supervisory Council and the shareholders having at least 1/10 of all votes have the right to convene the Meeting. The Law on Companies of the Republic of Lithuania provides for cases where other persons may convene the General Meeting of Shareholders.
The General Meeting of Shareholders is organized, voting is carried out, decisions are made in accordance with the procedure established by the Law on Companies of the Republic of Lithuania. If the meeting cannot be held due to the absence of a quorum (more than 1/2 of all votes), a repeated meeting of shareholders shall be convened, where only the agenda of the failed meeting is valid.

Exclusively the General Shareholders' Meeting shall:

- amend Charter of the Bank, except in cases, provided by the laws;
- change the Bank's headquarters;
- elect members of the Supervisory Council;
- recall the Supervisory Council or its individual members;
- elect and recall the audit firm to audit the annual financial statements, sets the terms of payment for audit services;
- approve set of annual financial statements of the Bank;
- set class, number, par value and minimum issue price of the shares, issued by the Bank;
- to elect and recall the liquidator of the Bank, except for the cases established by law;
- pass a resolution regarding:
    - issues of convertible bonds;
    - cancelling the preference right to purchase shares or convertible bonds of the Bank of a given emission to all of the shareholders;
    - conversion of the Bank's shares of one class into another, approval of the conversion order;
    - Allocation of profit (loss);
    - making, use, reduction and cancellation of reserves;
    - increase of the authorized capital;
    - reduction of the authorized capital, except of the cases, provided by the laws;
    - acquisition of the Bank's own shares;
    - approval of the rules for granting shares to employees and / or members of the bodies;
    - reorganization or of the Bank and approving terms of such reorganization or demerge; except of the cases, provided in the Law on Companies of the Republic of Lithuania;
    - restructures of the Bank;
    - liquidation of the Bank, cancelling of liquidation, except cases provided by the laws;
    - selecting and cancelling the Bank's liquidator, except cases, provided by the laws;
    - the approval of the remuneration policy.

Clause 11. Information on the composition of the management, supervisory bodies and their committees, areas of their and company head's activity.

The Supervisory Council of the Bank is a collegial body supervising the activities of the Bank. The Supervisory Council is chaired by the Chairperson. The Bank's Supervisory Council, consisting of 8 (eight) members, is elected by the General Meeting of Shareholders for a period of four years. The members of the Supervisory Council are proposed to the meeting by the initiators of the meeting or shareholders holding 1/20 of the Bank's shares.
Candidates are proposed before or during the meeting. Each candidate for membership of the Supervisory Council shall inform the General Meeting of his / her duties and responsibilities, as well as his / her other activities related to the Bank and other legal entities related to the Bank.
For the election of the members of the supervisory council, each shareholder shall have the number of votes attributable to the shares he holds and the number of members of the supervisory council elected. These votes are distributed at the shareholder's discretion, for one or more candidates. The candidates who obtain the most votes shall be elected.
5 (five) independent member were elected to the Supervisory Council for this term. The Charter of the Bank provide that the term of office of a member of the Supervisory Council shall not be limited.

The functions of the Supervisory Council are as follows:

- elect members of the Board and remove them from office, make recommendations to the Board regarding the candidature for the Chairman of the Board. The remuneration and other terms and conditions of employment of the members of the Board who hold other positions in the Bank, the Chief Executive Officer and his / her deputies shall be subject to the prior approval of the Supervisory Council. If the Bank is operating at a loss, the Supervisory Council must consider whether the members of the Board are suitable for the position;
- elect members of the Audit Committee;
- supervise activities of the Board and the Chief Executive Officer;
- supervise the implementation of business plans of the Bank, analysis the Bank's income and expenses, own investments and capital adequacy issues;
- adopt Supervisory Council's work regulation;
- approve business plans of the Bank and annual budget;
- approve any type of policies related to the Bank's activities including the risk management policy;
- ensure the effective internal control system in the Bank;
- submits to the General Meeting of Shareholders feedback and proposals on the draft Rules for Granting Shares;
- make proposals and comments to the General Shareholders' Meeting on draft of the profit (loss) distribution and the report on the Bank's activities as well as activities of the Board and the Chief Executive Officer of the Bank;
- make proposals to the Board and the Chief Executive Company to revoke their decisions that contradict the laws and other legal acts, the articles of association of the company or the decisions of the general meeting of shareholders;
- submit to the General Meeting of Shareholders and the Board comments and proposals regarding the draft remuneration policy and the draft remuneration report of the public limited companies whose shares are admitted to trading on the regulated market;
- approve loan granting policy and set order of borrowing subject to Supervisory Council's approval;
- make proposals to the Board and the Chief Executive Officer to cancel their resolutions that contradict the laws and other legal acts, this Charter or resolutions of the General Meeting of the Shareholders;
- set the list of transactions and resolutions, making or implementation of which is subject to the Council's approval;
- adopt resolutions, assigned to the Supervisory Council's competence according to the orders, approved by the Supervisory Council; such order shall be adopted by the Council following the laws, this Charter or resolutions of the General Meeting of Shareholders;
- consider other matters, subject to its consideration or solution, provided for in the laws of this Charter or in the resolutions adopted by the Meeting which are subject to discussion and resolution of the Supervisory Council.

Chief Executive Officer is a single person management body of the Bank who arranges everyday activities of the Bank and performs other actions necessary to perform his functions, to implement the decisions of the Bank's bodies and to ensure the Bank's activities.

Functions of the CEO:

- to arrange everyday activities of the Bank;
- to engage and discharge employees, make work contracts with them and terminate them, induce them and impose sanctions. The CEO is entitled to authorize another Bank employee to perform actions listed therein;
- to represent the Bank in its relations with other persons, in court and arbitrage without special authorization;
- to grant and cancel powers of attorney and procurements;
- to issue orders;
- to perform other actions, necessary to perform his functions, to implement decisions of the Bank's bodies and to ensure Bank's activities.

Chief Executive Officer is responsible for:

- arrangement of the Bank's activity and implementation of its aims;
- making of annual financial statements and preparation of the Bank's annual report;
- of a contract with the audit company;
- delivery of information and documents to the Meeting, Board and Supervisory Council in the cases, provided for in the laws or upon request;
- delivery of the Bank's documents and data to the custodian of the Register of Legal Entities;
- delivery of the documents to the Securities Commission and to the Central Securities Depository of Lithuania;
- publication of the information, prescribed by the laws and other legal acts, in the media sources stated in this Charter;
- information delivery to the shareholders;
- execution of other duties, prescribed by the laws and legal acts, this Charter and Staff regulations of the Chief Executive Officer.

The Chief Executive Officer of the Bank shall act on behalf of the Bank and shall have the right to conclude transactions unilaterally, except as provided for in the Bank's Charter or decisions of the Bank's bodies.

More information on the composition of the management bodies and committees is available in the section "Bank's Management" of the Consolidated Annual Report 2020.

Clause 12. The selection of the chief executive officer, members of the management body and supervisory bodies shall be subject to a diversity policy covering aspects such as age, gender, education, professional experience, description, objectives, methods of implementation and results for the reporting period. If the diversity policy is not applied, the reasons for the exclusion shall be explained.

The Bank does not apply the Diversity Policy, as the Bank is guided by internal documents such as the Code of Conduct which states that no forms of inequality, violence, psychological or similar pressures or forms of discrimination are tolerated. The main criteria for the election of the members of the Supervisory Council and the Board and the CEO of the Bank are education, professional experience, knowledge, skills and reputation.

Clause 13. Information on all the agreements between the shareholders (their substance, terms).

The Bank does not have any information about any mutual agreements between the shareholders related to the Bank's shares effective as of 31 December 2020.
This does not mean that the Bank may not be aware of certain agreements between two banks' clients (owning the Bank's shares) on other issues - the Bank does not deem necessary to disclose such agreements therein.

2020 REPORT ON SOCIALLY RESPONSIBLE ACTIVITIES

Prepared according to the Global Reporting Initiative standard

(Annex to the consolidated annual report for 2020)

About the Report

This report presents the social responsibility report of Šiaulių bankas for January-December 2020. The report presents the Bank's relationship with employees, customers and the community in the areas of environment and responsibility.

Since 2010, the Bank has been providing detailed social responsibility reports every year, which are publicly available in the Social Responsibility and Global Compact sections of the Bank's website.

Since 2008, Šiaulių bankas has been a member of the Global Compact initiated by the United Nations. The Bank follows the principles of this agreement in its social responsibility report and for the fourth time this year presents the report based on the recommendations of the Global Reporting Initiative (GRI).

Questions and comments on the socially responsible activity report are welcome by e-mail komunikacija@sb.lt

The word of the manager

Head of Šiaulių bankas administration

Vytautas Sinius

Last year, probably as never before, brought together colleagues and revealed the importance of social responsibility in Šiaulių bankas. We were one of the first to offer a helping hand to the businesses affected by COVID-19, we took an active part in the publicity of State aid measures, and we contributed to the fight against the pandemic both financially and through initiative.

However, even in the face of a pandemic, we tried to be closer to our customers, communities and Lithuania every day. We paid special attention to the availability of services through different channels, we continued to take a position not to close customer service units, but to invest in their renewal. We have developed digital and remote service channels so that each customer can choose the most convenient way of communication. By providing affordable financial services, we definitely contribute to the well-being of our customers.

Our ambitious approach to the client also makes Šiaulių bankas an attractive employer, retaining jobs not only in the country's major cities, but also in the towns. The achievements of our colleagues are developing and remaining in Lithuania. In Šiaulių bankas, they grow with professional knowledge and know that they have the opportunity to take and implement projects. Working in 37 Lithuanian cities, we can all not only be even closer to the local communities, but also become a part of them.

Socially responsible activities give meaning to our work. I invite you to get acquainted with the work done in 2020 and with Šiaulių bankas' approach to sustainable activities.

GRI 102-14

Strategy and analysis

Key impacts, risks and opportunities

The Bank regularly assesses potential risks and opportunities, taking into account the nature of the Group's operations and long-term strategy. We are accountable to supervisors as well as investors and our customers.

Economics

Every day, the bank contributes to the growth of the Lithuanian economy. By offering a wide range of small and medium-sized business financing instruments, the Bank seeks to promote the activities, development and growth of these companies. In the context of a pandemic, we actively participate in all measures to support business, provide risk-sharing loans in cooperation with INVEGA and other guarantee funds, and provide loans with portfolio and individual guarantees.

Social area

In order to contribute to the well-being of society, Šiaulių bankas supports cultural, financial literacy, sports and social initiatives. It also promotes the entrepreneurship of the population and regularly reads reports on business development opportunities, shares insights with the media.

In order to help small Lithuanian businesses, Šiaulių bankas has developed the PLAN A initiative to help small businesses become more visible and take advantage of the offers and experience of large Lithuanian companies.

Environment

The Bank aims to consistently reduce the amount of resources consumed, protect the environment and encourage employees to sort waste and use reusable equipment in their daily activities.

As the main apartment renovation partner in the country, the bank contributes to energy efficiency projects.

GRI 102-15

Company description

Šiaulių bankas, established in 1992, is a sustainably and stably growing financial institution with a diversified shareholder base, distributed among Lithuanian and foreign shareholders, including the European Bank for Reconstruction and Development, which owns 26% of the Bank's shares.

By providing professional financial services to private and business clients, the Bank strives to be a reliable, flexible and attentive financial partner, for which it is extremely important to grow the country's potential, the well-being of the population and business.

GRI 102-1

GRI 102-2

Priority directions of the bank's activity:

- business financing;
- consumer financing;
- financing of multi-apartment modernization projects.

Services for Private and Corporate Customers:

- provision of various short-term and long-term loans to private clients and businesses;
- banking service plans for a set monthly fee (for private clients);
- opening and administration of bank accounts in euros and foreign currency for Lithuanian and foreign clients;
- transfer of funds in euros and foreign currency to accounts in banks operating in Lithuania and abroad;
- collection of utility bills and other fees;
- electronic invoice service, periodic and conditional payments;
- account management in the online banking system;
- mobile banking services;
- issuance and administration of payment cards;
- foreign exchange trading;
- conclusion of various types of deposit agreements;
- investment services:
    - intermediation in concluding transactions on stock exchanges (securities);
    - off-exchange securities transactions;
    - advising on issues of securities issuance, acquisition and transfer;
    - accounting for shares issued by companies;
    - preparation of securities issue prospectuses;
    - other investment services.

Headquarters location

The Bank's head office is located in Šiauliai. GRI 102-3

Place of execution of operations

The Bank's branches operate in the main Lithuanian cities and regional centres, which are financially active. Banking services are provided throughout Lithuania. GRI 102-4

Ownership and legal form

Šiaulių bankas is limited liability public company. GRI 102-5

Markets serviced

Banking services are provided in the Republic of Lithuania. GRI 102-6

Extent of organization

The Šiaulių Bankas Group earned EUR 43.0 million of the net profit in year 2020 (EUR 51.5 million in 2019). Operating profit before impairment losses and income tax amounted to EUR 64.8 million, which is by 5% less than in 2019.

Shares issued by the Bank are included in the Nasdaq indices. As at 31 December 2020, the number of shareholders of the Bank was 9053.

Information on employees and other workers

As at 31 December 2020, the Bank had 756 employees and the Group had 849 employees. Compared to 31 December 2019, the number of employees in the Bank increased by 2.6 per cent and the number of employees in the Group increased by 2.2 per cent. GRI 102-7

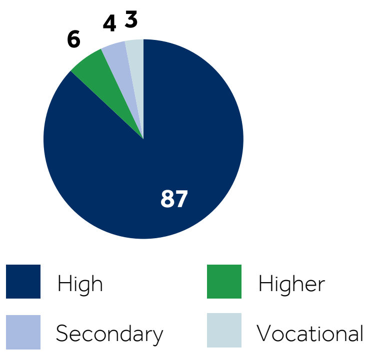
As at 31 December 2020, the Bank Group employed 80% of women and 20% of men. GRI 102-8

Precautionary principle or method

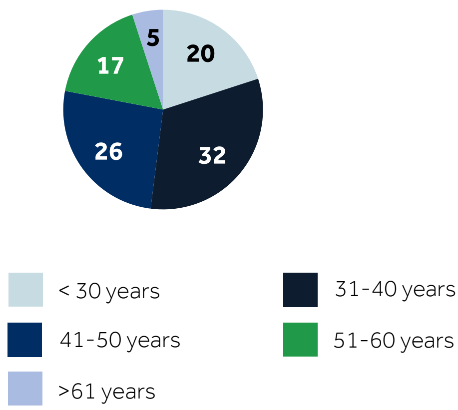
See 102-30 criterion of the report. GRI 102-11

More: Explanatory note to the financial statements for 2020, part "Financial risk management".

Distribution of group employees by education, per cent



Distribution of group employees by age, per cent



External initiatives

GRI 102-12

Šiaulių bankas has been a participant of the United Nations Global Compact since 2010.

Membership in associations

GRI 102-13

Organizations, associations and associated structures in which the Bank participates:

- Lithuanian Banking Association
- Society for Worldwide Interbank Financial Telecommunications (SWIFT)
- Nasdaq Baltic Stock Exchange (Nasdaq Vilnius, Nasdaq Riga, Nasdaq Tallinn)
- MasterCard Worldwide is an international payment card organization
- Lithuanian Employers' Confederation
- Šiauliai Chamber of Commerce, Industry and Crafts
- Šiauliai Association of Industrialists
- Kelmė District Entrepreneurs Association
- Klaipeda Chamber of Commerce, Industry and Crafts
- Klaipeda Association of Industrialists
- Mazeikiai Entrepreneurs Association
- Akmenė District Entrepreneurs Association
- Kaunas Chamber of Commerce, Industry and Crafts
- Panevėžys Chamber of Commerce, Industry and Crafts Utena branch
- Tauragė County Entrepreneurs Association
- Panevėžys Chamber of Commerce, Industry and Crafts
- Vilnius Chamber of Commerce, Industry and Crafts
- Šilalė District Entrepreneurs Union
- Lithuanian Association of Financial Brokers
- Association of Personnel Management Professionals
- BNI referral marketing service (Rekomendacijos verslui UAB)

Ethics and integrity

In its day-to-day operations, the Bank's employees are guided by three basic sets of principles:

- Bank's values
- Code of ethics
- Client service standards

GRI 102-16

Four sustainable values of the bank (trust, professionalism, respect, responsibility) were refined by the bank's employees themselves, who participated in the 2014 general conference of the bank.

In order to make it easier to understand and accept the bank's values and the behaviours that describe them, the Bank has been playing a game of values since 2015. Its purpose is to identify the behaviour that best meets the bank's values in everyday situations. The game of values encourages employees to collaborate, exchange views, and make common decisions. Such a game is played by all new employees at the quarterly "Newbie Days".

The Bank follows the Code of Ethics: no manifestations of inequality, violence, psychological or the like pressure and forms of discrimination are tolerated at work.

The Bank has implemented a common anonymous reporting intranet channel for the compliance officer, through which any employee can report a breach of any regulatory requirement at the Bank. The report is investigated, and if it is confirmed, the necessary actions are taken promptly to eliminate the violation.

The customer service standard defines the behaviour of employees in serving customers.

Consultation mechanisms and ethical issues

GRI 102-17

GRI 102-18

The bank has mechanisms in place for anonymous notification to the compliance officer and the chairman of the bank's nomination committee. Anonymous notifications can be submitted on the bank's intranet website at any time of the day. The reporting compliance mechanism is designed to report any potentially illegal actions by Bank Group employees (including managers): theft of property of the Bank, its customers, partners, employees, fraud, abuse of office, conflicts of interest, suspicions of non-compliance with the Bank's Code of Ethics or with other requirements of the Bank's internal legal acts, etc. The Bank's compliance and prevention department is responsible for this mechanism.

The means of notifying the chairman of the nomination committee of the Bank provides an opportunity to report confidentially (and anonymously is wanted) any suspected violation of the opinion of an individual member of the Bank's body or a small group of members that may harm the Bank's interests.

All communications are confidential and, at the request of the informer, anonymous. All new employees of the bank are introduced to the message channels in the training of newcomers.

Information on ethical and unethical behaviour is provided in the Bank's Code of Ethics.

No notifications were received during 2020.

Company management

Management structure

General Meeting of Shareholders

Supervisory council: collegial supervisory body

Board: collegial supervisory body

Head of Administration: sole governing body

Committees: The Bank has Risk, Audit, Nomination, Remuneration, Loans, Risk Management and Regional Loan Committees.

More information: in the sections "Management of the Bank" and "Committees formed in the Bank, their activities" in the annual report"

Composition and selection of the Bank's supervisory and management bodies

GRI 102-22

GRI 102-23

GRI 102-24

Supervisory Council is a collegial body supervising the activities of the Bank. The members of the Supervisory Board are elected and removed by the General Meeting of Shareholders. The Supervisory Board currently consists of 8 (eight) members, of which 5 (five) members are independent. The Supervisory Board is chaired by its Chairman. The term of office of the Supervisory Board is four years. The number of terms is not limited. If individual members of the Supervisory Board are elected, they shall be elected until the end of the term of office of the current Supervisory Board.

Board is a collegial management body of the Bank ensuring proper performance of the Bank's activities. The members of the Board are elected, removed and supervised by the Bank's Supervisory Council. The Board currently consists of 7 (seven) members. The term of office of the Board is four years. The number of terms is not limited. If individual members of the Board are elected, they shall be elected until the end of the term of office of the current Board.

Head of the Bank's Administration is the sole governing body of the Bank. The Head of the Bank organizes the day-to-day activities of the Bank, makes decisions on the activities of the Bank, acts on behalf of the Bank and ensures proper implementation of the Bank's business strategy, objectives, plans and policies. The Head of the Bank is appointed and removed from office by the Board.

Conflicts of interest

The members of the Bank's Supervisory Council and the Board act in favour of the Bank and the shareholders, avoiding conflicts of interest. All transactions with the Bank's managers are concluded on market terms. The Rules of Procedure of the Board of the Bank stipulate that a member of the Board must avoid activities that may cause a conflict of interest. A member of the Board must, before taking up his duties, disclose all information to the Bank which may give rise to a conflict of interest and keep this information up to date. A member of the Board shall not have the right to vote and participate in the meeting of the Board when deciding on an issue related to his/her activities or responsibilities, as well as when considering issues in which a member may have an interest or when the lack of objectivity of a member of the Board may endanger the Bank.

More: in note 30 Related-Party Transactions to the Annual Report.

The role of supervisory and management bodies in setting purpose, values and strategy

The Supervisory Council approves the Bank's business strategy. The Board analyzes and evaluates the material submitted by the Head of the Bank on the implementation of the Bank's business strategy, organization of the Bank's activities.

Collective knowledge of supervisory and management bodies

Board members regularly participate in the most important economic conferences of the country. Once a year, a strategic senior management session is held, where board and supervisory council members hear presentations on topics ranging from global economic trends to the social or demographic environment, innovation, strategic management, and more

Identification and management of economic, environmental and social impacts

The economic, environmental and social impact is assessed at the level of senior management when planning the Bank's activities.

GRI 102-25

GRI 102-26

GRI 102-27

GRI 102-28

GRI 102-29

Šiaulių bankas group of companies performs a self-assessment every year. This process analyzes the types of risks that may arise from banking activities and have a significant impact on the banking group. The main risks faced by the Group include credit, market, liquidity, concentration, operational, IT, model, banking book interest rates, insurance and compliance risks.

More:

Part of the explanatory note to the financial statements for 2020 "Financial risk management".

The role of the top governance body in sustainability reporting

The report is reviewed by the Head of the Bank's Administration.

Effectiveness of risk management processes

The Bank analyzes, evaluates, assumes and manages the risks or groups of risks faced in its operations.

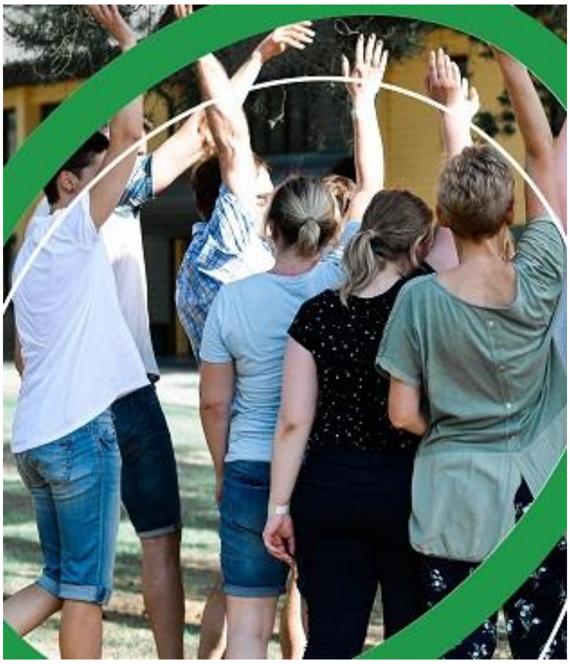
The risk management policy approved by the Bank's Supervisory Council and the risk management procedures developed on the basis of it help to ensure the integrity of the risk management process in the Group.

The purpose of the risk management policy is to define risks and their management principles in the Group's activities. As the various risks faced by the Group are interrelated, their management is centralized, for which purpose the Bank has a Risk Management Committee. One of the main objectives of the bank's risk management committee is to organize and coordinate the risk management system. The Group reviews its risk management procedures and systems on a regular basis, at least once a year, in the light of market developments, new products and emerging best practices.

GRI 102-30

GRI 102-32

Employees



Remuneration policy

GRI 102-35

GRI 102-36

The remuneration of the Bank's employees is regulated by the Remuneration Policy, the Procedure for Awarding the Annual Variable Remuneration, the Procedure for Awarding the Supplements, the Rules for Determining the Official Remuneration, the Rules of Procedure and other internal legal acts.

„Remuneration policy" section of the annual report

Remuneration determination process

When determining the official remuneration of the Bank's employees, the results of the remuneration survey of Hay group UAB (Korn ferry) are followed. In accordance with the methodology of Hay group UAB (Korn ferry), job levels are determined. For each job level, the salary ranges are set, i.e. the minimum and maximum values of official remuneration. The ranges are determined by assessing the entire national market, the banking sector, and regional differences are taken into account when determining the salary ranges for certain job levels. Application of Hay group UAB (Korn ferry) methodology allows to ensure internal and external fairness of remuneration and competitive remuneration in the market.

Stakeholders are involved

List of stakeholder groups

GRI 102-40

Stakeholders	*Ways of inclusion*
Employees	▪ Social initiatives; ▪ Possibilities for submission and implementation of proposals ▪ Possibility of notification to the compliance officer; ▪ Annual activity discussion interview; ▪ Bank's internal website (intranet); ▪ Events.
Shareholders	▪ Regular reports; ▪ Presentations of performance results to investors; ▪ Shareholders' meetings.
Clients	▪ Customer service quality research; ▪ Communication in social networks; ▪ Bank's website; ▪ Events for clients.
Suppliers and partners	▪ Attendance at meetings.
Regulatory authorities	▪ Regular reports; ▪ Attendance at meetings.
Communities, society	▪ Sponsorship and support projects; ▪ Educational activities.
Associated structures	▪ Social responsibility report.
Media	▪ Notifications; ▪ Comments; ▪ Events; ▪ Meetings.

Stakeholder identification and selection

GRI 102-42

Stakeholders are selected on the basis of an assessment of the nature of the organisation's activities and who may be directly or indirectly affected by the organization and who is affected by the organization.

Attitudes towards stakeholder engagement

GRI 102-43

Customer feedback is sought through Secret Buyer and Net Promoter Score (NPS indicator). Customer feedback is sought through surveys of the Secret Buyer, the Net Promoter Score (NPS indicator) and the customer service quality and sales skills of employees in the Lithuanian commercial banking sector.

The Secret buyer survey assesses the quality of customer service in the bank's branches. The study assesses areas where employees should still stretch when serving customers, and where they work flawlessly. The research data is used as a basis for annual training of customer service managers.

The aim of the NPS indicator survey is to find out how private and business customers evaluate Šiaulių bankas. During 2019, two NPS studies were conducted. One study was conducted by an external company, the other by responsible bank employees.

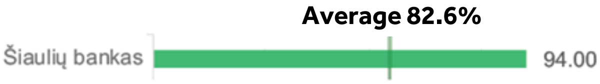
The aim of the study of customer service quality and sales skills of employees in the Lithuanian commercial banking sector is to measure and compare the fulfilment of the main customer service quality criteria in the Lithuanian commercial banking sector, identify the strongest and weakest areas of service and assess customer service quality trends. The 2019 secret buyer survey was conducted once by an external company.

Other ways of involving stakeholders are indicated in the column of the indicator 102-40.

Main topics and issues raised

GRI 102-44

In 2018 and 2019 (ordered by Dive Lietuva), Šiaulių bankas was selected as the bank that best serves customers in an independent Secret buyer survey. In 2020, Šiaulių bankas was elected the third customer service bank in Lithuania. It should be noted that the methodology of the 2020 survey due to the pandemic was adjusted and the survey was conducted only by telephone (in previous years a physical visit to the service department was performed). The total fulfillment of customer service quality criteria in the Lithuanian commercial banking sector is equal to 82.6 per cent, and the total assessment of Šiaulių bankas is 94 per cent, ie 11.4 per cent more than the total market average in 2020.



Based on the subjective assessment, the Secret buyers rated Šiaulių bankas the best, arguing that the conditions offered by the bank are good and the bank works with cash.

The research revealed the strengths and areas for improvement in customer service, and the results of the research were discussed with the departments.

Reference parameters

Entities included in consolidated financial statements

GRI 102-45

Bank subsidiaries

GRI 102-46

Directly controlled subsidiaries:

- SB Lizingas UAB (financial leasing, consumer credit)
- Šiaulių banko lizingas UAB (financial leasing and operating leasing)
- Šiaulių banko turto fondas UAB (real estate management)
- Minera UAB (real estate management)
- SB draudimas UAB (life insurance)
- Šiaulių banko investicijų valdymas UAB (investment management)

Indirectly controlled subsidiaries:

- Sandworks UAB (real estate management)
- Apželdinimas UAB (landscaping)

More: in the column " Companies Comprising Group " of the annual report

Defining the boundaries of the content and topics of the report

The report selects those topics and criteria for which the bank collects data and which can be accurately assessed. New, additional criteria are measured each year.

List of important topics

Socially responsible activities, by which the Bank seeks to improve the quality of life in Lithuania, promote sustainable economic development and the environment, are focused on areas in which the Bank can and seeks to have a positive impact, i.e.:

- staff;
- Bank's clients;
- environment protection;
- communities and the general public.

This report covers topics related to all of these areas.

Reporting period

The report is for 2020.

Date of last report

GRI 102-47

Since 2017, the bank has been reporting in accordance with the Global Reporting Initiative (GRI) standard. This is the fourth report.

GRI 102-50

Reporting cycle

GRI 102-51

A report on socially responsible activities is prepared annually.

Contact point for questions related to the report

GRI 102-52

Questions and comments on the report on socially responsible activities are invited to be sent by email: komunikacija@sb.lt.

GRI 102-53

Reporting on GRI standards

GRI 102-54

This report is based on the baseline version of the GRI standards.

External check

GRI 102-56

This report has been audited.

Economic efficiency

Direct economic value created and distributed GRI 201-1

Based on the results of operations, the annual general meeting of shareholders, when distributing the Bank's profit, decides whether to pay dividends to shareholders.

Data on dividends paid by the bank:

Year in which dividends are awarded and paid	*2017*	*2018*	*2019*
a percentage of nominal value	1,72	10	0
Amount of dividends per share, Eur	0,005	0,029	0
Amount of dividends, Eur	2 264 938	17 421 064	0
Dividend to net profit ratio of the Group, per cent	7,1	33,0	0

Significant indirect economic impact GRI 203-2

Small and medium business financing

One of the priority areas of the bank's activities is the financing of small and medium-sized businesses, with the means of which the Bank also promotes the development of small and medium-sized enterprises (SMEs). The Bank actively uses various financial engineering instruments, which provide opportunities to finance companies that would not be able to obtain ordinary credit, thus contributing to their growth. In the context of the pandemic, we actively participate in all measures aimed at supporting business, we are the bank that has issued the largest number of such loans in Lithuania. GRI 204-1

Of all banks operating in Lithuania, Šiaulių bankas has the largest number of products with European Union instruments administered by Invega UAB: a risk-sharing instrument for SME financing, various portfolio guarantees for SME loans, factoring and leasing.

Apartment renovation and regional development

The Bank seeks to promote the economic development of the country's regions and reduce disparities between them. One of the measures is the financing of the renovation (modernization) of apartment buildings. A large part of apartment renovation projects take place outside major cities. These projects involve the companies that administer them and construction contractors and create jobs in the regions.

Šiaulių bankas is the leader in financing the renovation of apartment buildings: 2 out of 3 apartment buildings renovated in Lithuania are financed by Šiaulių bankas. At the end of 2018, Šiaulių bankas signed a guarantee agreement with the European Investment Bank for the implementation of apartment building renovation projects. Under this agreement, Šiaulių bankas allocated an additional EUR 150 million for the renovation of apartment buildings. In 2020, Šiaulių bankas was selected as the winner to establish the Investment Platform in Lithuania, which would further finance the renovation. It is an innovative and promising instrument that will allow attracting funds from several sources and thus ensure sufficient financing.

Other modernization projects

The Bank also participates in the energy efficiency program. In 2018, an agreement was signed and continued in 2019 with the Public Investment Development Agency (VIPA), according to which the bank, as a financial intermediary, also finances the modernization of municipal buildings with its own funds. The total amount allocated for the implementation of the financial instrument is 36.16 million Eur. This financial measure is intended to increase the energy efficiency of municipal public buildings, to reduce greenhouse gas (CO2) emissions into the atmosphere, and to ensure that the infrastructure of public buildings complies with the requirements of hygiene standards. The measure is financed by the European Regional Development Fund.

Also, from 2019, the Bank invites to submit credit applications for the renovation of cultural heritage objects. Credit funds are invested in the attractiveness of objects, commercial payback, adaptability to the needs of society. Funds are allocated from the Cultural Heritage Fund established by the Public Investment Development Agency (VIPA), the Ministry of Finance of the Republic of Lithuania and the Ministry of Culture of the Republic of Lithuania. Šiaulių bankas has been selected as the fund manager. 5 million was allocated to the Cultural Heritage Fund by the European Regional Development Fund.

Local purchases

In 2020, over 90 percent of all purchases were from local suppliers.

Transparency and corruption prevention

Corruption risk assessment

Prevention of money laundering

The Bank responsibly carries out the prevention of money laundering and terrorist financing by consistently and purposefully implementing existing and developing new money laundering and terrorist financing prevention measures and applying them in its activities:

- identification of customers, customer representatives and beneficiaries
- Collection and verification of information about the purpose and nature of the business relationship (application of the "Know your customer" rule)
- monitoring of business relationships and monetary transactions
- identification of suspicious monetary transactions and transmission of information to the Financial Crime Investigation Service, etc.

Existing and new money laundering prevention measures are being prepared taking into account: legal acts regulating the prevention of money laundering and terrorist financing in the Republic of Lithuania, FATF (Financial Action Task Force), EU, UN, US legal requirements.

GRI 205-1

Prevention of corruption and conflict of interest

Actions that can be defined as intolerable cases of corruption are defined in the Code of Ethics of Šiaulių bankas AB. The Bank has also approved a Corruption Prevention and Unacceptable Behaviour Policy.

In order to avoid potential conflicts of interest, the Bank's employees submit annual declarations of economic interests and follow the Conflict of Interest Management Policy.

The Bank responsibly pays all taxes to the State of Lithuania, complies with the applicable legal acts, prepares and participates in tenders in a transparent manner.

The Bank implements the requirements of the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS).

Communication and training on anti-corruption policies and procedures

GRI 205-2

GRI 205-3

GRI 206-1

The Bank's employees are committed to complying with the Code of Ethics of Šiaulių bankas AB, which sets out the following principles as the most important ones:

- honesty,
- responsibility and accountability,
- respect for the law, the human person and his rights,
- impartiality, objectivity and fairness,
- exemplary behaviour.

The Code of Ethics and the Policy for the Prevention of Corruption and Unacceptable Behaviour regulate what behaviours can be considered intolerable cases of corruption. All new employees of the Bank are acquainted with these documents.

Cases of corruption and actions taken that have been confirmed

No corruption-related incidents were detected in 2020.

Legal action against anti - competitive behaviour and antitrust practices

No such actions were identified during the reporting period.

Environmental protection

Consumption of materials for packaging

In 2020, 791 kg of various packaging products (envelopes, paper and plastic bags, advertising packaging, locks for money, etc.) were produced for the Bank's needs, while in 2019 there were 1406 kg of such products. Plastic payment cards produced: 429 kg,

Energy consumption in the organization

GRI 301-1

GRI 302-1

Fuel consumption

	2018	2019	2020
Gasoline	91.83 t	84.49 t	57.34 t
Diesel	72.00 t	82.21 t	45.97 t
Gas	0.03 t	0.0149 t	0.095 t

Electric power consumption

	2018	2019	2020
Electric power	2596.167 MWh/ 1401.795 MWh	2641.681 MWh/ 461.441 MWh	2536.952 MWh / 658.806 MWh
Percentage of renewables	54 %	17,47 %	25,97 %

Gas consumption for heating

	2018	2019	2020
Gas	207360 kWh	158199 kWh	91377 kWh

The organization uses two types of heating: central and gas. It is currently not possible to estimate the energy resources used for central heating.

Reducing energy consumption

GRI 203-4

GRI 305-1

GRI 305-2

GRI 307-1

To reduce fuel consumption and reduce atmospheric emissions:

- The Bank uses an electronic emergency car booking system, which allows to plan business trips in groups and travel by as few cars as possible;
- Bank employees are encouraged to go on business trips within Lithuania by public transport (e.g. train, bus);
- Encourages meetings involving employees and partners working in different cities, organized in modern teleconferencing halls in Vilnius, Kaunas, Klaipėda and Šiauliai, as well as the use of landlines in workplaces, Skype and other means of communication.

In order to reduce the number of paper consumed, in 2020 the internal and external document management system continued to be actively developed, reducing the need for printed documents.

As early as in 2018, the first robot was introduced in the bank, thanks to which, to date, manual operations related to payment card transactions have been automated.

The bank provides employees with the opportunity to sort waste, and periodically communicates about the correct sorting.

Direct (Scope 1) GHG emissions

Not calculated.

Indirect energy (scope 2) GHG emissions

Not calculated.

Non-compliance with environmental laws and regulations

No non-compliance with environmental laws and/or regulations was identified during the reporting period.

Employee relations

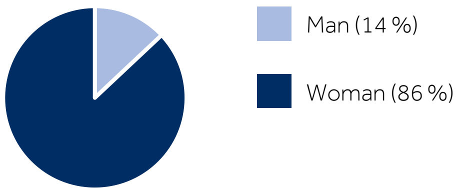
GRI 401-1
GRI 401-3

Recruitment and staff turnover

The bank fosters long-term working relationships with employees. As on 31 December 2020, 31% of the Bank's employees had worked for 10 years or more. During the reporting period, the total turnover of employees was 11 percent (in 2019 - 13.8 percent, in 2018 - 13.2 percent, in 2017 - 14.5 percent).

As on 31 December 2020, the Bank had 756 employees and the Group had 849 employees. Compared to 31 December 2019, the number of employees in the Bank increased by 2.6%, and the number of employees in the Group increased by 2.2%.

New employees in 2020 by gender:



Number of new employees by region in 2020:

Region	Number of new employees:
Kaunas reg.	*39*
Klaipėda reg.	*9*
Šiauliai reg.	*10*
Vilnius reg.	*42*
Total:	*100*

Parental leave

All employees, regardless of gender, are entitled to parental leave.

More: in the "Staff" section of the annual report

Employees who took parental leave in 2020*

Gender	The number of employees
Man	*0*
Woman	*47*
Total	*47*

*this figure includes parental leave both granted and continued in 2020.

In 2020, paternity leave was granted

Gender	The number of employees
Man	*3*

Number of employees returning to work after parental leave in 2020 by gender *

Gender	The number of employees
Man	*0*
Woman	*27*
Total	*27*

*employees returning to work/discharged after the leave.

Average number of trainings per employee per year

GRI 401-3
GRI 404-1
GRI 404-2

The average number of training hours per year for the employees of the bank's network and regional divisions is 18 hours. The staff of the Centre's units received an average of 17 hours of external and internal training per year.

GRI 401-3

GRI 404-1

GRI 404-2

Employee training programs

The employee education system includes the process of adaptation of newcomers, vocational (compulsory training regulated by LT legal acts and other, necessary for the performance of daily functions), general competence development and leadership training.

In the beginning of 2020, the heads of the centre's departments and project managers participated in process management training. An informal process management group has been established in the Bank. The aim of all this is to implement the Bank's process management methodology, which would become a standard for understanding the benefits of process management, methods, tools that can be applied, evaluation of change results, realization of changes in key areas of the Bank's internal operations and customer-related processes, ensure their continuity and sustainability.

In 2020, an educational plan was developed to strengthen knowledge in the field of money laundering and terrorist financing prevention. The knowledge of all employees of the Bank on the measures applied by the Bank to prevent money laundering and terrorist financing, compliance requirements for the Bank in this area, and international financial sanctions is periodically updated. Additional attention is paid to updating the knowledge of colleagues who are directly involved in customer service, distance learning is organized, after which they consolidate their knowledge by solving prepared tests.

In 2020, the unique program "Financing Solutions Forum" organized by the Bank was continued, aimed at specialists in the field of lending and strengthening their functional and general competencies. The spring and autumn sessions were held virtually. The final conference of the forum this year was held virtually, the speakers were filmed, and the live broadcast could be watched by all employees of the bank. The conference focused on the most important geopolitical challenges for Lithuania and the world, the impact of the Covid-19 pandemic on the economy, the management of customer experience and the fundamental technological changes affecting it, the quality of processes, etc.

As 2020 brought a number of challenges for managers at all levels, remote sessions were organized on the role of the manager, how to mobilize teams in times of uncertainty, managing meetings and discussions remotely, delegating tasks, working effectively remotely.

By strengthening the motivation and skills of the Bank's employees working remotely, opportunities were created for employees to participate in remote sessions: organization of telework, long-term motivation.

In 2020, the Bank continued the tradition of organizing training for internal lecturers on sales and work organization topics in live and remote meetings.

The staff of the Bank's headquarters and network units raised their competence by participating in external conferences and seminars.

Work organization in the context of COVID-19

In 2020, various measures had to be taken to ensure the smooth and rapid transfer of employees to remote work, providing them with the necessary means and doing bets to ensure their good physical and emotional condition.

Throughout the year, since mid-March, we have paid great attention to the organization of work and the regulation of employee flows in the bank's units with the aim of protecting our employees and customers at maximum. We used various methods: team rotations, it was strongly recommended not to communicate with colleagues working on different floors, lunch schedules were put in shared kitchens, business trips (or visits to other units) were restricted, etc. We fully provide all employees with face protection (medical masks, FFP2 respirators) and disposable gloves. At customer service points, according to the customer's needs, we provided them with one-time med. masks, we also ensured the possibility of disinfecting hands in places accessible in all departments. Additional disinfection of frequently touched surfaces was also started, additional protective glass was ordered in customer service areas, and all units were equipped with non-contact thermometers for employee health monitoring.

For more, see the chapter *Employees* of the Annual Report.

Communities and the general public

Cooperation with educational, cultural institutions or organizations

In 2020, the bank supported and collaborated:

- Supported Rokiškis, Alytus district municipality, Šiauliai cultural centers;
- Visaginas municipality administration;
- Bank staff gave lectures remotely to students from various schools.

Reducing social exclusion

Since 2014, in cooperation with Geros valios projektai VšĮ, the Bank has been providing an opportunity to customers:

- donate cash in donation boxes in the Bank's branches;
- we also provide the Bank link service for the aukok.lt project free of charge.

Within 2020, donation boxes collected EUR 1056,75, which were transferred to Geros valios projektai VšĮ".

Strengthening communities:

GRI 413-1

Being a bank of Lithuanian capital and presenting a new image strategy to the public in 2019, the Bank aims to be closer to communities and pays great attention to fostering the traditions of the country's cities and towns, supporting cultural life in Lithuanian regions, as well as contributing to sports and financial literacy.

In 2020, the Bank provided a total of over EUR 126,600.72 support for various initiatives, such as:

- Urban celebrations;
- Pažaislis Music Festival;
- Aukštelkė social care home;
- Association for the theater association Apartė;
- Šiauliai Aušros Museum;
- Lithuanian Musicians Support Fund;
- Basketball club Šiauliai;
- Dakar Rally (for V.Žala's crew);
- Republican Šiauliai Hospital;
- Educational and cultural institutions and organizations;
- As well as for other projects and communities.

Assistance to victims of COVID-19:

- In order to help doctors acquire the necessary equipment, at the beginning of the pandemic, the Bank provided EUR 50,000 in support to the Republican Šiauliai Hospital.
- Successful small business is the backbone of the Lithuanian economy. That is why we have introduced the PLAN A initiative. This is our way of helping small businesses become more visible and gain support when they need it most. More about the ongoing project: www.planas-a.lt

Compliance

Cases of non-compliance with product and service information and labelling

GRI 417-2

No such cases were identified by the Bank during the reporting period.

GRI 418-1

The Bank's Contact Centre registers customer complaints or claims regarding the provision of information about services or products.

GRI 419-1

In 2020, no cases of non-compliance were registered, when a fine or a warning was issued to a bank or Group companies for incorrect information about services.

Substantiated complaints about breaches of customer privacy and loss of customer data

The Bank has not received any substantiated complaints regarding the violation of the customer privacy.

Non-compliance with socio-economic laws and regulations:

The Bank has not identified any non-compliance with social or economic laws or regulations.

REMUNERATION REPORT 2020

(Annex to Annual Consolidated Report 2020)

The Remuneration Report of the Bank has been prepared and approved in accordance with the procedure provided for in the Law on Companies of the Republic of Lithuania and in compliance with the requirements for the remuneration report and its content of the Law on Financial Reporting of Companies of the Republic of Lithuania (Article 23^3).

This Remuneration Report of the Bank for 2020 (reporting period 01/01/2020 - 31/12/2020) discloses information on the remuneration of each member of the Bank's management and supervisory bodies (Chief Executive Officer, Board and Supervisory Council). The members of the management and supervisory bodies were identified in accordance with their positions at the Bank as at 31 December 2020. The Supervisory Council and the Board of the Bank were elected for a new term by the decision of the General Meeting of Shareholders of the Bank held on 31 March 2020.

The Remuneration Report does not include the personal data of the members of the management and supervisory bodies, as well as personal data that would reflect the marital status of the members of the management and supervisory bodies of the Bank. The Remuneration Report includes personal data of the members of the Bank's management and supervisory bodies in accordance with the requirements of the Law on Financial Reporting of Enterprises of the Republic of Lithuania.

Remuneration to the members of the Bank's management and supervisory bodies is regulated by the Remuneration Policy of the Bank, approved by the decision of the General Meeting of Shareholders of the Bank held on 31 March 2020, which is publicly announced on the Bank's website.

According to the Bank's Remuneration Policy, the members of the Bank's supervisory bodies are paid a fixed remuneration, and the members of the management bodies are paid a fixed and variable remuneration. The annual variable remuneration fund is formed based on the Bank's performance, taking into account current and future risks, capital employed and liquidity maintenance costs. The principles for calculating variable remuneration are designed to be in line with the Bank Group's business strategy, objectives, values, long-term business interests and promote sound and effective risk management, avoid conflicts of interest, ensure compliance with the Code of Ethics and encourage excessive risk-taking. The annual variable remuneration of the members of the Bank's management body is granted only after the annual performance appraisal and review of the employee's results for the last three years. As provided in the Bank's Remuneration Policy, the annual variable remuneration is paid in cash and in the Bank's shares. The grant of a part of the remuneration payable in the Bank's shares is deferred for a period of 3 years from the date of the allocation of the annual variable remuneration, taking into account the potential risk related to the employee's annual evaluation results. Also, the allocation of variable remuneration ensures that the granted variable remuneration does not exceed 100% of the fixed remuneration during 1 year.

REMUNERATION OF MEMBERS OF THE SUPERVISORY BODY

In accordance with the Bank's Remuneration Policy, the members of the Bank's Supervisory Council are granted only a fixed remuneration, which consists of (i) official remuneration and (ii) supplement to the official remuneration for performing additional functions while holding the position of a member of the Supervisory Council. The fixed remuneration specified in the Remuneration Policy is granted to the members of the Bank's Supervisory Council as of 1 April 2020 (when the Remuneration Policy came into force and the Bank's Supervisory Council was elected for a new term). Variable remuneration for the members of the Bank's Supervisory Council is not provided for or granted in the Remuneration Policy. Until the entry into force of the Remuneration Policy on 01/04/2020, the members of the Bank's Supervisory Council were paid tantiemes.

Information on remuneration of members of the Supervisory Council (before tax):

Name, Surname	*Duties at the Supervisory Council and Committees*	*Remuneration paid by the Bank in 2020, EUR*[1]	*Remuneration paid in 2020 by a company that is part of Group; company name*
Arvydas Salda	Chairman of the Supervisory Council	150.029	EUR 149185; Šiaulių Banko Turto Fondas UAB
Gintaras Kateiva	Member of the Supervisory Council, member of the Remuneration Committee	61.647	-
Darius Šulnis	Member of the Supervisory Council, member of the Nomination Committee	64.672	-
Ramunė Vilija Zabulienė	Independent member of the Supervisory Council, Chairman of the Audit Committee, member of the Remuneration Committee, member of the Risk Committee	80.976[2]	-
Miha Košak	Independent member of the Supervisory Council, Chairman of the Risk Committee, member of the Nomination committee	67.284	-
Martynas Česnavičius	Independent member of the Supervisory Council, Chairman of the Remuneration Committee, Chairman of the Nomination Committee, member of the Audit Committee	76.659	-
Adriano Arietti	Independent member of the Supervisory Council, member of the Risk Committee	43.125[3]	-
Susan Gail Buyske	Independent member of the Supervisory Council, member of the Audit Committee	30.802[4]	-

1 - The calculations include tantiemes paid for activities in Q1 2020 and fixed remuneration paid in accordance with the Remuneration Policy.

2 - Remuneration paid out to Ramunė Vilija Zabulienė includes additional remuneration paid for attending the meetings of committees of Šiaulių Bankas AB in 2020-Q1.

3 - Adriano Arietti, who was elected a member of the Supervisory Council on 31 March 2020, received the remuneration from 01/04/2020.

4 - Susan Gail Buyske, who was elected a member of the Supervisory Council on June 10, 2020, received the remuneration from 11/06/2020.

Information on the changes in the remuneration of the members of the Bank's Supervisory Council for the period 2016-2020 is provided below:

		Changes in remuneration, %[1]			
Name, Surname	*Duties at the Supervisory Council and Committees*	In 2017, compared to 2016	In 2018, compared to 2017	In 2019, compared to 2018	In 2020, compared to 2019
Arvydas Salda[2]	Chairman of the Supervisory Council	11%	13%	-19%	0%
Gintaras Kateiva	Member of the Supervisory Council, member of the Remuneration Committee	26%	43%	-2%	-3%
Darius Šulnis	Member of the Supervisory Council, member of the Nomination Committee	26%	43%	-2%	2%
Ramunė Vilija Zabulienė[3]	Independent member of the Supervisory Council, Chairman of the Audit Committee, member of the Remuneration Committee, member of the Risk Committee	29%	46%	2%	4%
Miha Košak[4]	Independent member of the Supervisory Council, Chairman of the Risk Committee, member of the Nomination committee	-	186%	-9%	14%
Martynas Česnavičius	Independent member of the Supervisory Council, Chairman of the Remuneration Committee, Chairman of the Nomination Committee, member of the Audit Committee	26%	43%	-9%	30%
Adriano Arietti[5]	Independent member of the Supervisory Council, member of the Risk Committee	-	-	-	-
Susan Gail Buyske[6]	Independent member of the Supervisory Council, member of the Audit Committee	-	-	-	-

1 - Tantiemes were paid to the members of the Supervisory Council for their activities in 2016 - 2019 and for the period until the end of the term of office on 31 March 2020. From 01-04-2020, the remuneration is paid in accordance with the Remuneration Policy. Remuneration changes are calculated by adding the remuneration paid for the respective year and compared to the previous year. Remuneration information used in the calculations is before taxes.

2 - The calculations include remuneration paid for other positions in the Bank's subsidiaries during the period 2016-2020.

3 - The calculations include additional remuneration paid for participation in the meetings of the committees of Šiaulių Bankas AB during the period 2016 - Q1 2020.

4 - Miha Košak was elected a member of the Bank's Supervisory Council in 2017, therefore no changes in remuneration for 2017 comparing with 2016 are presented.

5 - Adriano Arietti was elected a member of the Bank's Supervisory Council in 2020, therefore no changes in remuneration are presented.

6 - Susan Gail Buyske was elected a member of the Bank's Supervisory Council in 2020, therefore no changes in remuneration are presented.

REMUNERATION OF MEMBERS OF THE MANAGEMENT BODY (BEFORE TAX)

All members of the Board of the Bank, re-elected on 31 March 2020, are also employees of the Bank acting as the Chief Executive Officer of the Bank or Deputy Chief Executive Officers or Heads of Divisions and are, respectively, subject to fixed and variable remuneration as employees of the Bank. According to the Bank's Remuneration Policy, the official remuneration of the members of the Bank's Board holding other positions in the Bank, the Chief Executive Officer of the Bank and his deputies, is determined by the Bank's Supervisory Council and the annual variable remuneration is approved by the Bank's Supervisory Council.

Information on remuneration of members of the Board (before tax):

		Fixed remuneration for 2020		*Annual variable remuneration assigned in 2020 for 2019*		*Deferred annual variable remuneration paid out in 2020 (for 2016-2017)*		
Name, Surname	*Duties at the Board and other duties in the Bank*	Fixed remuneration (excluding income in kind and fringe benefits), EUR[2]	Income in kind and other fringe benefits, EUR[3]	In cash, EUR	Deferred part in shares, allotment in EUR (granted in 2023)	In cash, EUR	In shares, units	*Fixed and variable remuneration ratio for 2019[4], %*
Algirdas Butkus	Chairman of the Board, Deputy Chief Executive Officer	298,196	9,925	143,400	143,400	36,092	93,432	86%
Vytautas Sinius[1]	Deputy Chairman of the Board, Chief Executive Officer	277,744	12,623	127,800	127,800	30,936	80,084	85%
Donatas Savickas	Deputy Chairman of the Board, Deputy Chief Executive Officer-Head of Division	118,354	6,202	54,600	54,600	12,787	33,101	87%
Daiva Šorienė	Member of the Board, Deputy Chief Executive Officer-Head of Division	137,866	6,708	63,600	63,600	15,468	40,042	84%
Vita Urbonienė	Member of the Board, Chief Accountant-Head of Division	108,466	7,406	52,200	52,200	12,374	32,034	86%
Ilona Baranauskienė[5]	Member of the Board, Head of Division	138,282	3,820	63,600	63,600	14,747	38,173	89%
Mindaugas Rudys[6]	Member of the Board, Head of Division	113,551	6,765	-	-	-	-	-

1 - Vytautas Sinius also holds the position of the Chief Executive Officer of the Bank (sole management body).

2 - Fixed remuneration (excluding income in kind and fringe benefits) includes the base salary, payments for leave and payments for sick leave paid in 2020.

3 - Income in kind and fringe benefits mean pension insurance, health insurance contributions, presents in cash, funeral allowances and other benefits payable under the Bank's internal legal acts.

4 - Information on the ratio of fixed to variable remuneration is provided only for 2019, as the annual variable remuneration for the results of 2020 has not yet been assigned.

5 - Ilona Baranauskienė's deferred annual variable remuneration paid in 2020 (for 2016-2017) was calculated by including the deferred parts paid for work in the Bank's subsidiaries.

6 - Mindaugas Rudys was elected a member of the Board of the Bank on 31 March 2020, the fixed remuneration for 2020 was calculated by including the fixed remuneration paid during all 2020. Assigned annual variable remuneration in 2020 for 2019 and deferred annual variable remuneration paid in 2020 (for 2016-2017) are not provided.

No other parts of the variable remuneration (e.g., premiums, bonuses) were paid to the members of the Board of the Bank in 2020.

In 2020, the members of the Bank's Board did not receive any remuneration from the Bank's subsidiaries.

In accordance with the Bank's Remuneration Policy, the possibilities to recover the paid variable remuneration are not determined and the recoveries were not applied to the members of the Bank's management body.

Below is the information on the shares granted to members of the Board of the Bank in 2020, the rights granted by the share options, the prices and dates of those options:

Name, Surname	Duties at the Board and other duties in the Bank	Shares granted as one-third of the deferred part of the annual variable remuneration for 2016 and 2017, units.[2]	Share options[3]	
			Option rights to shares granted for 2019, the date of exercise of the option right 14/04/2023, units	1/3 approved in 2019 for the option rights to shares granted for 2018, the date of exercise of the option right 15/04/2022, units
Algirdas Butkus	Chairman of the Board, Deputy Chief Executive Officer	93,432	278,940	110,273
Vytautas Sinius[1]	Deputy Chairman of the Board, Chief Executive Officer	80,084	248,595	98,352
Donatas Savickas	Deputy Chairman of the Board, Deputy Chief Executive Officer-Head of Division	33,101	106,208	41,725
Daiva Šorienė	Member of the Board, Deputy Chief Executive Officer-Head of Division	40,042	123,714	48,878
Vita Urbonienė	Member of the Board, Chief Accountant-Head of Division	32,034	101,539	39,937
Ilona Baranauskienė[4]	Member of the Board, Head of Division	38,173	123,714	48,878
Mindaugas Rudys[5]	Member of the Board, Head of Division	-	-	-

1 - Vytautas Sinius also holds the position of the Chief Executive Officer of the Bank (sole management body).

2 - Date of transfer of shares on 22-05-2020, share price 0.384 EUR / unit.

3 - Date of granting and approval of option rights 10/04/2020. Option transactions entitle to receive the Bank's shares free of charge during the exercise of the option transaction (upon payment of the applicable fees by the beneficiary according to the share price on the date of exercise of the option), taxation in accordance with the provisions of the law in force at the time of granting.

4 - Information on shares is provided, including shares for work in the Bank's subsidiaries.

5 - Mindaugas Rudys was elected a member of the Board of the Bank on 31 March 2020, therefore the information is not provided.

No changes were made to the option transactions with the members of the Bank's management body.

Below is the information on changes in remuneration of members of the Board of the Bank during the period from 2015 to 2019:

Name, Surname	Duties at the Board and other duties in the Bank	Changes in remuneration, %[4]			
		In 2016, compared to 2015	In 2017, compared to 2016	In 2018, compared to 2017	In 2019, compared to 2018
Algirdas Butkus	Chairman of the Board, Deputy Chief Executive Officer	22.1%	5.1%	13.4%	-2.0%
Vytautas Sinius[1]	Deputy Chairman of the Board, Chief Executive Officer	42.7%	5.7%	10.9%	2.7%
Donatas Savickas	Deputy Chairman of the Board, Deputy Chief Executive Officer-Head of Division	29.2%	5.0%	9.9%	4.4%
Daiva Šorienė	Member of the Board, Deputy Chief Executive Officer-Head of Division	23.5%	4.9%	11.2%	1.8%
Vita Urbonienė	Member of the Board, Chief Accountant-Head of Division	27.3%	6.6%	9.7%	2.3%
Ilona Baranauskienė[2]	Member of the Board, Head of Division	31.4%	-1.2%	13.3%	-0.3%
Mindaugas Rudys[3]	Member of the Board, Head of Division	-	-	-	-

1 - Vytautas Sinius also holds the position of the Chief Executive Officer of the Bank (sole management body).

2 - The calculations include remuneration paid for other positions in the Bank's subsidiaries in the period 2015-2019.

3 - Mindaugas Rudys was elected a member of the Board of the Bank on 31 March 2020, therefore no changes in remuneration are presented.

4 - Remuneration changes are calculated by adding the fixed remuneration (salary, vacations, incapacity for work, income in kind, fringe benefits) paid in the respective year and the variable remuneration (bonuses and annual variable remuneration in cash and shares for a given year, excluding deferred parts of annual variable remuneration (in cash and shares) for the previous year) and compared to the corresponding previous years. Remuneration data before taxes were used in the calculations. No changes in remuneration are provided for 2020, as the annual variable remuneration for the 2020 results has not yet been allocated.

CHANGES IN BANK'S PERFORMANCE RESULTS AND AVERAGE REMUNERATION I

The following information is provided on the Bank's results and Bank's employees, who are not members of the Bank's management and supervisory bodies, average monthly remuneration in for the period 2016-2020.

	Net profit, in thou, EUR	Average month remuneration, EUR (before tax)
2020	43,095	2,080
2019	53,103	2,028
2018	53,065	1,860
2017	30,890	1,651
2016	41,677	1,521

CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Chief Accountant Vita Urbonienė, confirm hereby that the provided consolidated financial statements of Šiaulių bankas AB for 2020 are compiled in compliance with applicable accounting standards, correspond to the reality and correctly reveal the assets, liabilities, financial status, activity result and cash flows of Šiaulių bankas AB and its Group of Companies, moreover, we confirm that the review of the business development and activities, the status of the Bank and the Group, alongside with the description of the key risks and indeterminacies incurred, are correctly revealed in the consolidated annual report.

Chief Executive Officer Vytautas Sinius

Chief Accountant Vita Urbonienė

8 March 2021